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ABSTRACT

This handbook helps financial aid administrators determine students' eligibility for aid from the U.S. Department of Education's Student Financial Assistance (SFA) programs. An introduction describes information sources, conflicting information, fraud case referral, status change, electronic requirements, the application system, and recent changes. Chapter 1, "School-Based Requirements," includes: regular student in an eligible program, elementary or secondary enrollment, and satisfactory academic progress. Chapter 2, "Citizenship," includes: eligible categories, U.S. citizen or national, and U.S. permanent residents and other eligible noncitizens. Chapter 3, "Financial Aid History," includes: federal debts affecting eligibility, NSLDS match, and financial history. Chapter 4, "Social Security Number," includes: general information about requirement, SSN match, and applicants using same SSN. Chapter 5, "Selective Service," includes: general information, exemptions, and failure to register. Chapter 6, "About the Application," includes: dependency status, household information, and signature requirements. Chapter 7, "Expected Family Contribution," includes: formulas for dependent students and for independent students with and without dependents. Chapter 8, "Verification," includes: applications to be verified, required verification items, and completing the process. Chapter 9, "Corrections, Updates, and Adjustments," includes: types of changes and how to submit changes. Chapter 10, "Financial Need and Packaging," includes: financial need, packaging, and overawards. (SM)

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2000-2001

ED 446 541

Volume 1: Student Eligibility

STUDENT FINANCIAL AID HANDBOOK

Volume 1: Student Eligibility

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Student Financial Assistance Handbook

Volume 1 of 9
Volume 1: Student Eligibility
Volume 2: Institutional Eligibility
Volume 3: Pell Grant Program
Volume 4: Campus-based Common Provisions
Volume 5: Perkins Loans
Volume 6: Federal Work Study
Volume 7: Supplemental Educational Opportunity Grants
Volume 8: Direct Loans and FFEL Programs
Volume 9: State Grant Programs

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Introduction

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This publication is designed to help financial aid administrators determine whether a particular student is eligible for aid from the Department's student financial assistance (SFA) programs (also known as the Title IV programs).

SOURCES OF INFORMATION

In determining a student's eligibility, there are many factors that the school must consider, such as whether the student is a citizen, whether the student is making satisfactory academic progress, and whether the student has a defaulted SFA loan. To answer these questions, aid administrators receive information about the student from several different sources, including the Department of Education; one of the major sources of information from the Department is the application system. The aid administrator is responsible for sorting through all the information and determining whether the student can receive SFA funds. This publication provides information about the eligibility rules and the application system.

Throughout the year, the Department provides updates to schools in the form of Dear Colleague Letters and Action Letters. These letters, as well as other information from the Department, such as Federal Register notices, are available on the Information for Financial Aid Professionals (IFAP) web site at <http://ifap.ed.gov>. The Department also posts system updates and technical guidance announcements on the IFAP site.

Schools using software from the Department also receive desk references and other materials that explain how the software operates. Therefore, this publication doesn't cover the operation of specific pieces of software. Schools using third party software should consult the reference materials they receive from the software vendor.

CONFLICTING INFORMATION

Conflicting Information Cite
34 CFR 668.16(f)

In addition to reviewing information provided by the Department's application system, a school must have its own systems to handle other data and decisions, such as information about the student's academic progress. The school must also have systems in place to discover conflicting information in its files and to resolve such conflicts. The regulations require a school to develop an adequate system to ensure the consistency of any information related to a

Gaining Eligibility Examples

Allen enrolls in a one-year certificate program at Sarven Technical Institute. Sarven won't officially admit Allen before he provides an academic transcript from his previous school, but it admits him conditionally so he can start classes in the fall. Sarven receives Allen's transcript after he's attended for a month, and officially admits him. He's still in his first payment period when admitted, and so can receive Pell and campus-based funds for his entire enrollment. The school can also use the entire year for his period of enrollment for a loan, so that Allen can receive loan funds for his entire enrollment.

Chavo is finishing his senior year in high school. He decides to start classes in the winter at Sarven Technical Institute on January 11. His high school classes end on the following June 4. He starts his second payment period at Sarven on May 17. Chavo isn't eligible for aid when he first starts classes at Sarven. However, when Chavo becomes eligible, after June 4, Sarven can disburse funds to Chavo retroactively for the second payment period that started on May 17. It can't disburse Pell and campus-based funds for the payment period that started in January, because he didn't become eligible until after that payment period ended. Sarven can also give Chavo a Direct Loan or FFEL for his entire enrollment, starting in January, because it's all part of the same academic year, and so can be one period of enrollment.

Citizenship Example

Hector is attending Guerrero University as a graduate student. When he first begins the academic year in September, he has applied for permanent residence status but isn't yet a permanent resident. He finally becomes a permanent resident in April, while he is still enrolled. Guerrero can award Hector campus-based funds for the entire year, not just for the second semester (payment period). It can also give him a Direct Loan for the entire period of enrollment, which in this case is the academic year starting in September. He can receive the maximum loan amount for the entire year in April, because he is treated as if he was an eligible noncitizen for the entire year.

OIG Address and Phone Numbers

Inspector General's Hotline
Office of Inspector General
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202-1510

1-800-MIS-USED
http://www.vais.net/~edoig/

City/State	*Telephone No.*
Boston, MA	(617) 223-9301
New York, NY	(212) 264-4104
Philadelphia, PA	(215) 656-6278
Pittsburgh, PA	(412) 395-6904
Atlanta, GA	(404) 562-6460
Chicago, IL	(312) 886-8787
Dallas, TX	(214) 880-3031
Kansas City, MO	(816) 880-4034
Long Beach, CA	(562) 980-4141
Seattle, WA	(206) 220-4469
San Juan, PR	(787) 766-6292
Washington, DC	(202) 205-5770

student's application for federal student aid, regardless of the source of that information. The school is responsible for reconciling all information received, with one exception: If the student dies during the award year, the school isn't required to resolve conflicting information.

If the school has conflicting information for a student or has any reason to believe his or her application information is incorrect, it **must** resolve such discrepancies before disbursing SFA funds. If the school discovers discrepancies after disbursing SFA funds, it must reconcile the conflicting information and require the student to repay any aid for which he or she wasn't eligible, unless the student is no longer enrolled for the award year.

REFERRAL OF FRAUD CASES

If a school suspects that a student, employee, or other individual has misreported information and/or altered documentation to increase his or her student aid eligibility or to fraudulently obtain federal funds, it should report its suspicions (and provide any evidence) to the Office of Inspector General (OIG) or to local law enforcement officials (see the OIG address and numbers above.)

CHANGE IN STATUS

In some cases, the student's eligibility status can change during the award year. These changes almost always affect whether the student can be paid. We'll discuss what happens when the student gains

Student Financial Assistance

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202-5132

August 2000

"Student Eligibility" is the first volume of the *Student Financial Aid Handbook* for the 2000-2001 award year. In the next few weeks, we will be mailing you the second volume, "Institutional Eligibility," followed by separate volumes for the individual programs.

Please note that the information previously contained in the *Verification Guide* and the *Counselor's Handbook for Postsecondary Schools* will be found in this volume of the *Handbook.*

We are sending one copy of the *Student Financial Aid Handbook: Volume 1* to each address on our GEN mailing list. Additional single copies may be ordered from the Federal Student Aid Information Center at 1-800-4 FED AID (1-800-433-3243), while supplies last.

Each volume of the *Student Financial Aid Handbook* will also be made available in electronic form on our Information for Financial Aid Professionals (IFAP) Web site:

ifap.ed.gov

Thanks to electronic publishing, we will be able to provide each volume on the IFAP site several weeks before printing and mailing is completed. We encourage you to visit and bookmark this site, which contains a wealth of program information, from Dear Colleague Letters to Federal Registers, ready to be downloaded in searchable electronic formats.

We hope that you find this volume of the *Student Financial Aid Handbook* a useful reference tool for the proper administration for the Student Financial Assistance programs.

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eligibility or loses eligibility, along with special rules for changes in satisfactory academic progress status.

Gaining Eligibility

In general, if a change in the student's status causes the student to gain eligibility, the student may receive aid for the entire payment period (for Pell and campus-based funds) or period of enrollment (for Direct Loans and FFELs) in which he or she became eligible. A period of enrollment is an academic unit, such as an academic term or a full academic year, but can't include periods that are part of a previous academic year. If a period of enrollment begins in one academic year and ends in the following academic year and the borrower regains eligibility during the second academic year, the school may award a loan only for that portion of the period of enrollment that's part of the second academic year.

For three of the requirements, citizenship, valid Social Security Number (SSN), and Selective Service registration, the student is eligible for Pell and campus-based aid for the entire award year in which he or she became eligible, not just the payment period.

Losing Eligibility

In general, a student who loses eligibility can't receive any disbursements after he or she lost eligibility. The one exception is if the student's citizenship status changes. A school is only required to check a student's citizenship status once during the award year or period of enrollment, when it first disburses aid. If a student later loses eligibility due to a change in citizenship status during that award year or period of enrollment, the school doesn't need to take any action to prevent the student from receiving subsequent disbursements. Of course, the student wouldn't be able to receive aid in the following award year or period of enrollment.

Satisfactory Academic Progress

If a student loses SFA eligibility because he or she is determined not to be making satisfactory progress, that student will regain eligibility when the school determines that he or she is again meeting its satisfactory progress standards. A student may be paid Pell and campus-based funds for the payment period in which he or she regains satisfactory progress but cannot be paid for any payment period in which the standards were not met. (The school must document each case.)

For Direct Loans and FFELs, a student who regains eligibility during a payment period or period of enrollment is eligible for the entire period of enrollment (usually an academic year) in which he or she met the satisfactory academic progress standards—unless school policy provides for reinstatement of eligibility at a later point.

Appeals

A student may also regain eligibility by successfully appealing a determination that he or she wasn't making satisfactory progress. The student is only eligible for the payment period or period of enrollment

SSN Example

Sioned starts at Lem Community College in July 2000. She doesn't have an SSN at that time, and doesn't apply for one until the spring of 2001. Her first academic year ends in March 2001, and she starts a second academic year in April. She gets a valid SSN in May. She can receive a Direct Loan or FFEL loan for the second academic year that began in April, but can't receive loans for the first academic year (July-March) because she didn't become eligible until that year was over. In addition, Lem considers the payment period that Sioned begins in April to be part of the 2001-2002 award year. Sioned can receive funds for that payment period, but not for the previous payment periods, because those belong to a separate award year, in which she was not eligible.

Losing Eligibility Example

George is a student at Guerrero University. He has an old Stafford Loan which is in repayment, and he hasn't had it deferred while he's in school. During the fall semester, the loan defaults. Guerrero gave George his second Direct Subsidized Loan disbursement at the beginning of the semester in September, but was going to disburse a Perkins Loan to him in October. Because his old loan goes into default at the end of September, Guerrero can't disburse the Perkins Loan for that term. George doesn't have to pay back the first disbursement of his Direct Subsidized Loan, but can't receive any more disbursements for that loan.

Change in Satisfactory Progress Status Example 1

At the end of his first year at Frisson College, Andrew is not making satisfactory progress. Therefore, when the school determines his eligibility for the next payment period in the fall, Andrew isn't eligible for aid. At the end of the fall term, Edison determines that Andrew has regained satisfactory progress by completing enough credits in the term. Andrew can receive Pell and campus-based funds for the spring term. He can't receive aid for the fall term, because he didn't meet the satisfactory progress standards until the term was over.

Change in Satisfactory Progress Status Example 2

Edison College treats the entire academic year as Andrew's period of enrollment. Because Andrew regains satisfactory progress during this period of enrollment (at the end of the fall term), Andrew can receive a FFEL for the entire academic year.

Satisfactory Academic Progress Appeal Example

Steven is attending Brust Conservatory, and at the end of his second year, Brust determines that he isn't making satisfactory progress. He files an appeal in the fall, after he realizes he won't receive aid for the fall term. Brust finally approves his appeal in January, after the fall term is over. Steven can't receive Pell or campus-based funds for the fall term, but can receive aid for the winter term. Steven can also receive a Direct Loan for the entire year, because the entire year is his period of enrollment.

Exception to FAFSA Requirement

If the student only wants to receive a PLUS loan, the student doesn't have to complete a FAFSA (unless the school requires it), although one of the student's parents will need to complete a loan application and promissory note.

Advantages of Electronic Filing

All the methods of electronic application share the following benefits:

- *Faster processing than paper applications*
- *Fewer rejected applications*
- *Internal and end-of-entry data edits to ensure that all required fields are completed and all conflicting data is resolved prior to submission*
- *Skip logic, which helps "shorten" the form by allowing applicants to skip over questions that don't pertain to them*
- *Availability of online help*

in which the student regains eligibility; eligibility is not retroactive to all earlier payment periods or periods of enrollments. Thus, if the school originally determined for the fall payment period that the student wasn't making satisfactory progress, the student can't receive payment for the fall payment period if the school approves his or her appeal after the fall payment period is over.

ELECTRONIC REQUIREMENTS

In order to make it easier for both the Department and schools to handle the large amounts of information, the Department now requires schools to process some data electronically, rather than through a manual/paper process. On September 19, 1997, the Department published the first notice listing the electronic processes the school must participate in. Although the Department provides software for most of these processes, schools aren't required to use the Department's software. Schools may develop their own software, use third-party software, or may use a third-party servicer to meet the requirements. The electronic requirements are discussed in more detail in the *SFA Handbook: Institutional Eligibility and Participation*.

Some of the processes are especially relevant for determining the student's eligibility. As of January 1, 1998, schools were required to

- be able to receive Institutional Student Information Records (ISIRs) electronically (see "Output Documents," page 7),
- add their school code to the CPS record if they receive a Student Aid Report (SAR) not listing their school (see Chapter 9 of this volume for information on adding a school), and
- have direct online access to the National Student Loan Data System (NSLDS) (see Chapter 3 of this publication).

As of January 1, 1999, schools must be able to use Windows 95 or later or Windows NT to process data from the Department, including data received as part of the application process.

OVERVIEW OF THE APPLICATION SYSTEM

To be considered for SFA aid, a student must complete a Free Application for Federal Student Aid (FAFSA). On the FAFSA, the Department collects financial and other information used to calculate the Expected Family Contribution (EFC) and perform eligibility matches. There are several different types of FAFSA, both paper and electronic.

Types of Applications

Students can apply electronically through their schools (Electronic Data Exchange), on the Web (FAFSA on the Web), or using a computer and a modem (FAFSA Express). They can also use a paper FAFSA. Students who have applied in previous years may also be able

EDE 2000-2001 Renewal FAFSA Cite

2000-2001 Action Letter #4, September 1999 (GEN-99-25)

to use a Renewal FAFSA. Renewal FAFSAs can be completed through EDE, on the Web, or on paper.

Electronic Data Exchange (EDE)

If the school is going to file the student's application through EDE, it should first have the student complete and sign a paper FAFSA. The school can then enter the data from the FAFSA electronically and submit it to the CPS through EDE. EDE services are provided as a part of the Department's contract for the Title IV Wide Area Network (TIV-WAN). For more information on the TIV-WAN contact TIV-WAN Customer Service at 1-800-615-1189. Note that the TIV-WAN functions will be migrating to the Student Aid Internet Gateway (SAIG) in the next year.

The PIN

The Electronic Access Code (EAC) has been renamed the PIN (Personal Identification Number). It functions as a code and an electronic signature and can be used to

- electronically sign FAFSA on the Web and FAFSA Express applications
- access and sign Renewal FAFSA on the Web applications
- make corrections on-line using Corrections on the Web
- view the status of processed FAFSAs
- view one's personal financial aid history as maintained in the National Student Loan Data System (NSLDS)
- access expanded Direct Loan information and tools

New PINs will be four digits, but the old six-character EACs can still be used to access all ED Web products. PINs were automatically mailed to 1999-2000 Web applicants and to graduate and fifth-year undergraduate students who were eligible to apply for aid in 2000-2001 using a Renewal FAFSA. PINs will also be mailed to all 2000-2001 applicants who successfully passed the SSN match with the Social Security Administration (SSA). The Department plans to make the PIN available to all students and parents sometime in 2000-2001. Anyone who does not have a PIN will then be able to register for one by going to the PIN Web page at www.pin.ed.gov.

FAFSA on the Web

FAFSA on the Web is an Internet application that allows a student to complete his or her FAFSA on-line and submit it directly to the CPS. Students can also correct any of their previously submitted data except for SSN and date of birth. The web address is <http://fafsa.ed.gov> The web site tells the students which web browsers currently can be used with *FAFSA on the Web*. For more information about *FAFSA on the Web* or for technical assistance, a student can call 1-800-801-0576.

Automatic Recipients of PINs

- *Applicants in the Renewal Application database who filed on the Web in 1999-2000*
- *Applicants in the Renewal Application database who reported in 1999-2000 that they were fifth year/other undergraduates, graduates, or professionals and expected to finish their program after July 1, 2000 (or didn't answer this question)*

FAFSA Express

FAFSA Express allows students to apply electronically without using the web. *FAFSA Express* requires only an IBM-compatible computer with a Windows operating system and a modem. A student can order the program by calling 1-800-801-0576, or can download it from the web at <http://www.ed.gov/offices/OPE/express.html>.

A student who files using *FAFSA Express* may save his or her data to a diskette but can't save this personal data to a computer's hard drive. A student using *FAFSA Express* transmits the application data to the CPS via modem.

Paper FAFSA

There is now only one paper FAFSA. As of the 2000-2001 award year, the downloadable FAFSA in Portable Document Format (PDF) is no longer available, since it did not offer the advantages of the standard paper FAFSA (scanning) or the electronic FAFSA (speed, skip logic, data editing).

Renewal FAFSA

Finally, note that some students won't have to complete an entire FAFSA, but rather can use a Renewal FAFSA. The Renewal FAFSA can be completed through EDE, on the Web, or on paper. Most of the data from the FAFSA the student filed the year before will already be filled in. The student should review each item, correct those that have changed, and provide new information for a small number of items.

- **EDE**—Each fall, schools participating in EDE can request Renewal FAFSAs for some or all of the students who listed that school on their applications for the previous year. The school can either request the electronic Renewal FAFSA records or ask for paper applications (see "Paper" below). A school that requested only the electronic Renewal FAFSA records must enter and transmit completed Renewal FAFSAs for those students. More information on this process is provided each year in an Action Letter published in the summer. For questions about Renewal FAFSAs, call CPS Customer Service at 1-800-330-5947.

- **Renewal FAFSA on the Web**—Most students who applied for federal student aid in 1999-2000 can reapply in 2000-2001 using Renewal FAFSA on the Web at www.fafsa.ed.gov. To protect their information, students must use their PIN to access their Renewal Application on the Web. Because the PIN also serves as an electronic signature for the application, independent students don't need to send in a signature page, and dependent students need to submit the parent signature only.

Instead of a paper Renewal FAFSA, some students will automatically receive a PIN from the CPS in the mail—students

in the Renewal Application database who filed on the Web in 1999-2000 and those who reported in 1999-2000 that they were graduate or fifth year undergraduate students (or didn't answer that question).

Students who receive a paper Renewal FAFSA can also apply using the Web by first requesting a PIN at the site <http://pin.ed.gov>. Once the student receives the PIN in the mail, she can apply by using Renewal FAFSA on the Web.

PINs that are automatically sent in the mail will be forwarded if a student's forwarding address has been left with the post office. PINs requested by students will not be forwarded.

- **Paper Renewal FAFSA**—As mentioned above, a school can request Renewal FAFSAs for students who listed that school on their applications for the previous year. The school can request that the CPS print paper applications and mail them to the school. The school is then responsible for distributing these paper Renewal FAFSAs to the students. Note that the CPS won't send a school paper Renewal FAFSAs for students who were automatically sent a PIN (graduate and fifth-year undergraduate students and web filers in 1999-2000).

  For 2000-2001, the CPS mailed Renewal FAFSAs to students who applied for federal student aid in 1999-2000 and who met certain conditions—for instance, their SSNs and addresses were valid, they were not in default, and so forth. These students should have received Renewal FAFSAs in the mail or from their schools some time after November 1999. (The CPS prints and mails Renewal FAFSAs only to those students whose records were not requested by a school.)

Processing

After the application is completed, it's sent to Department contractors (the FAFSA Processor and the CPS) for processing. The FAFSA Processor inputs data from paper applications and sends it to the CPS. The CPS receives data both from the FAFSA Processor and directly from electronic applications. It uses the data to calculate the EFC and match the student's data against a number of databases, such as the Social Security Administration's databases, the Immigration and Naturalization Service's database of noncitizens, the Selective Service System registration database, and the Department of Veterans Affairs' database.

The CPS also checks the application, using several editing criteria designed to detect possible inconsistencies and mistakes. For instance, if a dependent student reported the parents' marital status as married but also reported the household size as "2," the CPS edit checks would catch the inconsistency. If the data is inconsistent, the CPS may be unable to calculate the EFC or may calculate an EFC based on assumptions. For applications submitted through EDE, the school can

Matches and Student Rights

The Computer Matching and Privacy Protection Act of 1988 prohibits a school from suspending, terminating, or reducing SFA funds; making a final denial of SFA funds; or taking other adverse action against a student based on the results of an interagency data match unless the student has been notified and has had time to respond to the notification. This law applies to all the data matches performed by the CPS.

Reject Example

Sioned isn't married, but is living with her boyfriend. She reports on the FAFSA that she's single, but also reports her boyfriend's income as spouse's income. Her application is rejected; she receives a reject reason code of 11 and a comment explaining that she reported contradictory information. Sioned must submit a correction changing the spouse's income to zero.

anticipate certain assumptions and correct or override certain information on the student's first application. Students who submit applications using *FAFSA on the Web* or *Renewal FAFSA on the Web* can also override some of the CPS edits.

After processing is complete, the CPS produces output documents (or records) that report the information the student originally provided, the EFC, the results of the eligibility matches, and information about inconsistencies discovered through the CPS edits.

Output documents

There are two basic types of output documents: the *Institutional Student Information Record* (ISIR), which is sent to the school, and the *Student Aid Report* (SAR), which is sent to the student. These output documents contain the student's EFC, the student's application information, and other information for the FAA.

A school receives ISIRs electronically. Only schools listed on the student's FAFSA will automatically receive an ISIR. A student can list up to six schools at a time. A school not listed on the FAFSA can request an ISIR for a student if it has the student's Data Release Number (DRN). The DRN is printed on the front of the student's SAR. The DRN is also included on the ISIR in the FAA Information Section if the school receiving the ISIR originally entered the student's application.

Schools are required to be able to receive ISIRs, and cannot require students to submit SARs to the school in order to receive aid. The school **can** require the student to use a SAR to make corrections. Also, if the school doesn't have an ISIR for a student who has provided a SAR, the school must process the SAR for the awarding of SFA aid. The school must also be sure that it's added to the CPS record for the student (see Chapter 9 of this publication).

The student will receive a Student Aid Report from the CPS within four weeks of submitting the FAFSA. Most students will receive a regular SAR. However, students who filed electronically through EDE will instead receive a *SAR Information Acknowledgement*. The difference between the two is that the student can't correct the *SAR Information Acknowledgement*; instead, only the aid administrator makes corrections on it (with the help of the student). Only the SAR has a separate part that's used for corrections. The *SAR Information Acknowledgement* also has fewer and less detailed comments for the student.

The SAR and the ISIR will indicate any questionable results from the eligibility matches described above. For instance, if a student has defaulted on a federal student loan, the SAR and ISIR will note this in a number of locations (including comments to the student and the NSLDS Financial Aid History page). The student may still be eligible for federal aid, but the school must resolve the questions before delivering any funds to the student.

If there were certain types of problems in the student's application, the SAR and ISIR will show that the student's application has been rejected. Reject codes are provided in the FAA Information section, and no EFC is calculated. The student must provide further information or corrections to the CPS in order to receive an EFC. The SAR will have instructions for the student on how to correct the problem. We'll be discussing some specific types of "rejects" in the relevant sections. A complete list of reject codes is provided in *A Guide to 2000-2001 SARs and ISIRs* (which can be found under "Current Publications" at <http://ifap.ed.gov>).

Deadlines

The application processing cycle lasts 18 months. For the 2000-2001 award year, application processing began in January 2000, and applications for that year will be accepted until June 30, 2001.

The processor must receive a student's electronic FAFSA transmission by June 30, 2001. A paper FAFSA must be legible and mailed to the Federal Student Aid Programs address specified in the FAFSA in time for the processor to receive it by the deadline. There are **no exceptions** to these Department deadlines. An electronic application record received before January 1, 2000 or after June 30, 2001 will not be processed. An application signed before January 1, 2000 or received after June 30, 2001 will be returned unprocessed with a letter of explanation.

Every year, the Department publishes a deadline notice that provides all the processing deadline dates. The deadline notice for the 1999-2000 award year was published on July 30, 1999. When the deadline notice for the 2000-2001 award year is published, it will be available on the IFAP web site. However, the following list shows the projected deadline dates for the 1999-2000 award year.

- Corrections on a paper SAR must be received by August 16, 2001.
- Corrections through EDE must be received and accepted by the CPS before 7:00 pm (central time) on August 27, 2001.
- Address and school changes through the Federal Student Aid Information Center (FSAIC) can be made through August 27, 2001.
- To give a Pell to a student, a school must have a valid output document while the student is still enrolled for the award year, but no later than August 31, 2001.
- For Pell recipients selected for verification, the school must have verification documents and a valid output document no later than 90 days after the last day of enrollment or August 31, 2001, whichever is earlier.

Reauthorization Information Sources

"Dear Colleague" letter GEN-98-28, November 1998; IFAP web site at <http://ifap.ed.gov/csb_html/heaveauth.htm>

Delivery System Changes Cite

Action Letter #6, December 1999 (GEN-99-40)

RECENT CHANGES

On October 7, 1998, President Clinton signed into law the Higher Education Amendments of 1998 [Public Law (P. L.) 105-244]. This law reauthorized the student financial assistance programs, and made a number of changes to those programs. Many of the provisions went into effect in October of 1998, but some have just taken effect for the 2000-2001 award year. There are also some changes for the 2000-2001 award year that aren't related to the Amendments of 1998, such as the redesigned FAFSA.

Implementation of the Amendments of 1998

Section 492 of the Higher Education Act requires the Department to obtain input from the financial aid community in the development of proposed regulations for the SFA Programs. The Department is obtaining this input through regional meetings and through a process called "negotiated rulemaking."

In negotiated rulemaking, the Department meets with representatives of many areas of the financial aid community, such as students, schools, guaranty agencies, and others to obtain advice and recommendations for effective implementation through regulation of SFA Program requirements.

The student eligibility provisions that are in effect for the 2000-2001 award year include:

- eligibility for home-schooled students (see Chapter 1);
- suspension of eligibility for drug convictions (see Chapter 1);
- a change to treatment of Americorps benefits and veterans benefits in awarding aid (see Chapter 10).
- Parents of a dependent student are excluded from the number in college unless the aid administrator uses professional judgment to include them;
- Income protection allowances are increased for dependent students and independent students without dependents other than a spouse;
- Proration for less than 9 months of attendance is added for independent students and for a dependent student's contribution from income;
- A dependent student's income is adjusted if the parents have negative adjusted available income under certain conditions.

Other Changes

The 2000-2001 FAFSA has been revised to accommodate Reauthorization changes and to make the form easier for students and parents to complete. The changes are discussed in detail in Action Letter #6. Some of the changes are covered in this publication as well:

- Question 28, regarding drug convictions, has been added.
- For dependent students, questions for parents' social security numbers and last names have been added in anticipation of implementing an income verification match with the IRS, as authorized in the HEA of 1998.

Several changes have been made to simplify the electronic application process, and a match has been added to identify invalid Social Security Numbers.

- The EAC has been renamed the PIN, and its functionality has expanded (see p. 5 and Chapter 6 for more information).
- Students who use their PIN to correct SAR data on the Web do not need a parent's signature if only student data was changed. This applies only to Corrections on the Web and not to the paper SAR.
- The paper signature process for the electronic applications has been enhanced (see also chapter 6).
- A match with the SSA was added to identify SSNs that belong to deceased persons (see Chapter 4 of this volume).

School-Based Requirements

CHAPTER 1

In this chapter, we discuss student eligibility requirements that don't require information from the Department's systems. The school determines on its own whether the student meets the eligibility requirements. In some cases, the financial aid office will need to get information from other school offices (such as the admissions office or the registrar) or from other organizations (such as high schools or testing agencies).

REGULAR STUDENT IN AN ELIGIBLE PROGRAM

An individual must be enrolled as a regular student in an eligible program in order to receive SFA funds (with two exceptions that are discussed later). A regular student is someone who is enrolled (or accepted for enrollment) for the purpose of obtaining a degree or certificate offered by the school. The definition of an eligible program is discussed in detail in the *SFA Handbook: Institutional Eligibility and Participation.*

Regular Student Cites
Sec. 484(a)(1), (b)(3), (4); 34 CFR 668.32(a)(1)

The school must determine separately for each individual student taking courses that are part of an eligible program if that student is a regular student. The school must also document each student's status in the student's files. The school is only required to document a student's enrollment in an eligible program at the time of admission. However, it must be able to notify the financial aid office should the student leave the program at any time during the course of enrollment.

Regular Student Example
Lem Community College allows anyone with a high school diploma or the equivalent to enroll in any of its courses. Many of these students do not intend to receive a degree or certificate. Lem requires students who want to receive a degree or certificate to complete a form stating which degree or certificate they are studying for and to meet regularly with an academic advisor. It considers such students to be regular students; other students in the same classes are not regular students.

Continuing Education

Students who enroll in courses in a school's continuing education department without being admitted into an eligible degree or certificate program are not regular students and are not eligible for SFA funds.

Students who have been admitted into an eligible degree or certificate program and then enroll in courses in the continuing education department are regular students and are eligible for SFA funds if the courses apply to their degree or certificate program.

Continuing Education Examples
Example 1. Park University has a continuing education department that offers many on-line (telecommunications) courses that students in other departments of the school may take and that apply to the degree or certificate program the students are enrolled in. These are regular students who are eligible for SFA funds.

Example 2. Guerrero University has a continuing education department that offers many courses. Some students enroll in these courses without being admitted to the university. They are not regular students and are not eligible for SFA funds.

Conditional Acceptance

Some schools admit students under a conditional or "provisional" acceptance. For example, a student might be conditionally accepted until he or she provides further documentation (such as academic transcripts or test scores) or demonstrates an ability to succeed in the program (by receiving acceptable grades in program coursework). Typically the school will limit the student's enrollment, in terms of

Conditional Acceptance Examples

Example 1. Guerrero University allows students to take graduate courses before they have taken the GRE, but it limits them to no more than three courses and does not admit them into its graduate programs until they have submitted acceptable GRE scores. They aren't regular students and aren't eligible for SFA funds.

Example 2. Park University accepts students into its graduate programs on the condition that the students receive no grade lower than a "B" in the first three courses in their program. During this time, Park University considers these students to be admitted into the graduate programs, so they are eligible for SFA funds. If, however, students receive a grade lower than a B in any of the first three classes, their admittance will be withdrawn, and they then will be ineligible for SFA funds.

number of courses or enrollment status, until the student meets the necessary conditions.

Students admitted as conditional or provisional are regular students only if they are officially accepted into the eligible degree program, as determined by the school's admission policies. The Department does not define the meaning of official acceptance or admission. If the student is merely allowed to take some courses before being officially admitted to the program, she isn't considered to be a regular student, and she is not eligible until she is officially admitted.

Remedial Coursework

Remedial coursework prepares a student for study at the postsecondary level. If a student is enrolled solely in a remedial program, the student is not considered to be in an eligible program and thus is not eligible for SFA funds. Although the student is not a regular student in an eligible program, he or she might be eligible for Direct Loan or FFEL funds, as described under "Preparatory Coursework," page 15. A student whose acceptance into the eligible program is contingent on completing the remedial work cannot be considered to be enrolled in the eligible program until he or she completes the remedial work.

If the student is admitted into an eligible program and takes remedial coursework within that program, the student can be considered a regular student. In addition, a limited amount of the remedial coursework can be counted in the student's enrollment for the purposes of financial aid. The remedial coursework must be at least at the high-school level, as determined by the state legal authority, the school's accrediting agency, or the state agency recognized for approving public postsecondary vocational education. A school can't take into account more than one academic year's worth of remedial coursework for a student. For the purposes of this limit, an academic year's worth of coursework is 30 semester or trimester hours, 45 quarter hours, or 900 clock hours. ESL courses don't count against these limits. Note that if the remedial coursework is noncredit or reduced-credit, the school must determine how many credit hours the coursework is worth to count it in the student's enrollment (see "Enrollment Status," page 25, for more information).

A school cannot count noncredit remedial hours in the student's enrollment if the noncredit remedial course is part of a program that leads to a high school diploma or its recognized equivalent. A student is never permitted to receive funds for GED training or for high school, even if the GED or high school training is offered at postsecondary schools. These remedial hours must not be counted, even if the course is required for completing the postsecondary program.

Preparatory Coursework

A student not enrolled in a degree or certificate program is eligible for Direct Loans or FFELs for a period of up to one year if the student is taking coursework necessary for his or her enrollment in an eligible program. The coursework must be part of an eligible program otherwise offered by the school, although the student does not have to be enrolled in the eligible program. If a student is enrolled at least half time in these prerequisite courses and if the courses are part of an eligible program, the student is eligible for loans for one consecutive 12-month period beginning on the first day of the loan period for which the student is enrolled. If the 12-month period of preparatory coursework represents more than one academic year, the student may receive multiple loans.

To be eligible under this exception, the student must be taking courses that are a prerequisite for admission. If the student is simply taking the courses to raise his or her GPA in order to be admitted, the student would not qualify for loans under this exception.

Preparatory Coursework Example

Eddy has a bachelor's degree, with a major in mathematics. He wants to enroll in a graduate computer science program at Guerrero University. He needs 12 more semester hours of computer science coursework to meet Guerrero's admission requirements. He enrolls in courses that are part of Guerrero's undergraduate degree program, but because he is not enrolled for the purpose of receiving an undergraduate degree, he is not a regular student. However, because the coursework is necessary for his enrollment in the graduate program, he may receive a FFEL or Direct Loan for this coursework.

Teacher Certification

A student may receive Perkins Loans, FWS, Direct Loans, or FFELs if he or she is enrolled at least half time in a required teacher certification program, even though the teacher certification program does not lead to a degree or certificate awarded by the school. To qualify, the program must be required for elementary or secondary teacher certification or recertification in the state where the student plans to teach or in the state where the student is completing the program. Optional courses that the student elects to take for professional recognition or advancement, and courses recommended by the school but not required for certification do not qualify. The school should document that the courses are required by the state for teacher certification.

Due to changes made by reauthorization, a student with a bachelor's degree enrolled in a teacher certification program can also receive a Pell in certain limited situations. If the student is enrolled at least half time at a school that doesn't offer a bachelor's degree in education, is in a postbaccalaureate program not leading to a graduate degree, and is taking teacher certification courses required by the state, the student is eligible for a Pell Grant. For more details, see the Handbook volume pertaining to Pell Grants.

Elementary/Secondary Enrollment Cites

Sec. 484(a)(1), 34 CFR 668.32(b)

Elementary or Secondary Enrollment Example

Lida is a junior in high school. She enrolls in an electronics technician program at Lem Community College; the coursework is offered in the evenings and weekends, so she can still attend her high school classes. The electronics technician program is an eligible postsecondary program, and Lida will receive a certificate from Lem when she completes the program. However, she is not eligible for aid because she is still enrolled in high school.

ELEMENTARY OR SECONDARY ENROLLMENT

A student enrolled in elementary or secondary school is not eligible for aid from the SFA programs. Such a student is not eligible even if he or she is simultaneously enrolled in an eligible postsecondary program.

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Definition of Secondary School Enrollment

A student is considered to be enrolled in a secondary school if he or she is pursuing a high school diploma. A student who has completed the diploma requirements but has not yet received a

Secondary School Enrollment Example

Owen, a student at Guerrero University, decides to take a driver's education course at the local high school during the summer. Because his state does not require driver's education for the high school diploma, he is not considered to be enrolled in secondary school, and could receive financial aid for summer courses taken at Guerrero, provided he is a regular student there.

diploma is still considered to be enrolled in secondary school if he or she is taking postsecondary coursework for which the high school gives credit. A student who has completed but not received a diploma is also considered to be enrolled in secondary school if the high school granting the diploma still considers the student to be enrolled at that high school.

An adult pursuing a GED (not a diploma) would not be considered to be enrolled in secondary school. However, as mentioned earlier, a student can't receive aid for the GED training, although she could receive aid for other coursework provided she met ability-to-benefit requirements. In addition, an adult taking special courses at a high school that are not part of the state's high school diploma requirements would not be considered to be enrolled in secondary school.

Academic Qualification Cites

Sec. 484(d), 34 CFR 668.32(e)

ACADEMIC QUALIFICATION (DIPLOMA OR ABILITY TO BENEFIT)

To receive SFA funds, a student must be qualified to study at the postsecondary level. For SFA purposes, a student with a high school diploma or its recognized equivalent is considered qualified.

Recognized Equivalent of a High School Diploma Cites

34 CFR 600.2

Diploma Equivalent Example

Kitty enrolls in the bachelor's degree program at Bennet College. She didn't graduate from high school, and doesn't have a GED. Bennet looks at her high school records to see if she excelled academically in high school. Because she had a C average, Bennet decides she didn't excel academically, and so doesn't have the equivalent of a high school diploma. If she were enrolled in a two year program that counted as two years of her bachelor's degree, she'd have the equivalent of a high school diploma when she completed that program, and would be eligible for SFA funds for the last two years of her degree program. However, since Kitty never went to college before, she'll need to take an ability-to-benefit test if she wants to receive SFA funds.

A student without a diploma or equivalent can be eligible for SFA funds if he or she passes a Department-approved test or enrolls in a school that participates in a Department-approved state process (no state processes have yet been approved).[1] As of October 1, 1998, home-school students are also eligible under certain circumstances (see "Home-Schooled Students," below).

High School Diploma or Equivalent

The Department recognizes several equivalents to the high school diploma:

- General Education Development (GED) certificates and state certificates;
- For a student enrolling in an program at the associate-degree level or higher, documentation that the student excelled academically in high school and has met the school's admissions standards;
- A certificate of completion of a home-study program if the program is recognized by the student's home state;
- A student's postsecondary school academic transcript if the student has completed a program of at least two years in length that is acceptable for full credit toward a bachelor's degree.

A high school diploma from a foreign school **is** considered a high school diploma for SFA purposes.

[1] In the case of a school with branch campuses, the process must have been approved by the state in which the branch the student is attending is located.

Documentation of diploma

A school isn't required to ask for a copy of a high school diploma or GED. A school may accept as documentation a student's statement that he or she has a high school diploma or GED.

Home-Schooled Students

As mentioned previously, a certificate of completion of a home-study program is considered the equivalent of a high school diploma if the program is recognized by the student's home state. However, not all states officially recognize home-study programs, so some home-schooled students don't have the equivalent of a high school diploma. Home-schooled students in those states are eligible for aid if the state did not consider them to be in violation of truancy laws.

Ability-to-Benefit (ATB) Test

If the student doesn't have a diploma or the equivalent, he or she can still qualify by passing a Department-approved test, called an ability-to-benefit test. The test must be independently administered in accordance with Department regulations.

Approved tests

The Department publishes notices of approved tests in the *Federal Register*. (We have included a list of all the currently approved tests later in this chapter.) You can also call Customer Support at 1-800-433-7327 for information on tests approved after this publication went to print. A school doesn't have to use the same test for all its students, but can pick whichever one is most suitable for each individual student.

Special needs

The regulations take into account the special needs of students who are not native speakers of English. Under certain circumstances, special testing procedures or instruments may be used for testing such individuals. For students whose native language is not English, the school must use one of the approved tests (listed later in this chapter) if a student enrolls in a program taught in English without an English as a Second Language (ESL) component or if the student does not enroll in an offered ESL component. Otherwise, the school may use a test approved in the student's native language or an ESL test, as appropriate.

The regulations contain provisions for approving tests for students whose native language is not English and who are not fluent in English. At the time this publication went to print, no such tests had been approved. Therefore, schools should make ATB eligibility determination for these students based on guidelines stated in the December 30, 1992 *Federal Register* and by using tests approved as of June 30, 1996. For students with disabilities, the Department adopted the use of the currently approved ability-to-benefit tests and passing scores (see the May 5, 1999 Federal Register), as long as those tests are given in a manner consistent with requirements of Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. This includes giving the test so that it is accessible to disabled students and offering additional services such as a longer exam time for

Home-Schooled Students Cite

Sec. 484(d)(3), 34 CFR 668(e)(4)

Ability-to-benefit Regulations

Subpart J of Part 668

Factors for Test Selection

When selecting a test, the school should consider the following:

- ***Relevance of test to the educational program.*** *Are the skills and abilities assessed important for the successful completion of the student's planned program of study?*
- ***Level of difficulty of the test.*** *Is the overall level of difficulty appropriate to the population of prospective students being assessed and to the coursework required in the program?*
- ***Native language.*** *If the student's program will be taught in a language other than English, the student should be permitted to take the test in the language of the program. (See "Special needs.")*
- ***Tests for students with physical disabilities.*** *Students with physical disabilities should receive appropriate assistance in test taking, in accordance with the guidelines developed by the American Educational Research Association, the American Psychological Association, and the National Council of Measurement in Education.*

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Independently Administered

To be independently administered, a test must be given by an individual or by an organization with no current or prior financial or ownership interest in the school, its affiliates, or its parent corporation other than the interest generated through its agreement to administer the approved test. The test can't be given by a current or former employee, consultant, or student of the school, an owner or member of the board of directors, a person with a financial interest in the school, or a relative of any of these individuals. In addition, the test administrator cannot score the test, but must submit it to the publisher for scoring.

A test is also independently administered if it is given at an assessment center. An assessment center is located at an eligible degree-granting school or public vocational institution, and is responsible for evaluating students for multiple purposes, such as course placement. It must not have administering ATB tests as its primary purpose. The assessment center must be staffed by professionally trained personnel and be independent of the admissions and financial aid process. An assessment center may score students' tests, unless its agreement with the test publisher prohibits it.

students with learning disabilities and Braille or large-print exams for visually impaired students. If a school can give none of the approved ability-to-benefit tests in an accessible manner, it must use an alternate test as explained in the regulations (34 CFR 668.149).

Test approval

The regulations address both approval and administrative procedures for test publishers. The Department evaluates the submitted tests according to the regulatory guidelines. The Department will also review all state tests or assessments that are submitted for approval. If a state test meets the criteria for approval, both public and private schools in that state may use the test. Note that no such tests have yet been approved.

To apply for approval, the test publisher must submit its test and certain documentation specified in the regulations. After receiving an application, the Department will notify the test publisher of approval or disapproval. If a test is approved, the Department will then publish in the *Federal Register* the name of the test and the test publisher and the passing score required for students taking the test. The minimum passing score for each test is included in the list on the next page.

Administering tests

The regulations also specify testing procedures school must follow. The school should make arrangements with one or more test administrators, who must be certified by the test publisher. The school should contact the test publisher to locate a certified test administrator. Certified administrators may include but are not limited to people in these fields:

- high school guidance counselors;
- qualified professional educators;
- regional Armed Forces Commands staff who are experts in education, training, and human resource development;
- test and measurement experts; and
- human resource development professionals.

To be acceptable for SFA purposes, an approved test must be independently administered. In addition, all tests must be administered in accordance with the procedures specified by the test publisher. Such procedures address, but are not limited to, time limits for completion, rules on how often and within what time frame the test may be readministered, whether the test may be given verbally, and so on. If a test comprises multiple parts, all **relevant** parts, as listed in the approval notice, must be administered in order for the test to be valid. The approval notice published by the Department will show either the approved score for each subpart or an approved composite score.

Approved Ability-to-Benefit Tests

TEST NAME	PASSING SCORE	PUBLISHER
American College Testing (ACT): (English and Math)	English (14) and Math (15)	American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: James Maxey, Telephone: (319) 337-1100, Fax: (319) 337-1790
ASSET Program: Basic Skills Tests (Reading, Writing, and Numerical)—Forms B2 and C2	Reading (34), Writing (34), and Numerical (33)	American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: John D. Roth, Telephone: (319) 337-1030, Fax: (319) 337-1790.
Career Programs Assessment (CPAT) Basic Skills Subtests (Language Usage, Reading and Numerical)—Forms A, B, and C	Language Usage (43), Reading (44), and Numerical (42)	American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: John D. Roth, Telephone: (319) 337-1030, Fax: (319) 337-1790
COMPASS Subtests: Prealgebra/Numerical Skills Placement, Reading Placement, and Writing Placement	Prealgebra/Numerical (21), Reading (60), and Writing (31)	American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: John D. Roth, Telephone: (319) 337-1030, Fax: (319) 337-1790
Computerized Placement Tests (CPTs)/Accuplacer (Reading Comprehension, Sentence Skills, and Arithmetic)	Reading Comprehension (52), Sentence Skills (60), and Arithmetic (36)	The College Board, 45 Columbus Avenue, New York, New York 10023-6992, Contact: Ms. Loretta M. Church, Telephone: (212) 713-8000, Fax: (212) 713-8063
Descriptive Tests of Language Skills (DTLS) (Reading Comprehension, Sentence Structure and Conventions of Written English)—Forms M-K-3KDT and M-K-3LDT; and Descriptive Tests of Mathematical Skills (DTMS) (Arithmetic)—Forms M-K-3KDT and M-K-3LDT	Reading Comprehension (108), Sentence Structure (9), Conventions of Written English (309), and Arithmetic (506)	The College Board, 45 Columbus Avenue, New York, New York 10023-6992, Contact: Ms. Loretta M. Church, Telephone: (212) 713-8000, Fax: (212) 713-8063
Test of Adult Basic Education (TABE): (Reading Total, Total Mathematics, Total Language)—Forms 5 and 6, Level A, Complete Battery and Survey Versions	Reading Total (768), Total Mathematics (783), Total Language (714)	CTB/McGraw-Hill, 20 Ryan Ranch Road, Monterey, California 93940-5703, Contact: Ms. Tina Gwaltney, Telephone: (831) 393-7749, Fax: (831) 393-7142
TABE: (Reading, Total Mathematics, Language)—Forms 7 and 8, Level A, Complete Battery and Survey Versions	Reading (559), Total Mathematics (562), Language (545)	CTB/McGraw-Hill, 20 Ryan Ranch Road, Monterey, California 93940-5703, Contact: Ms. Tina Gwaltney, Telephone: (831) 393-7749, Fax: (831) 393-7142
Wonderlic Basic Skills Test (WBST)—Verbal Forms VS-1 & VS-2, Quantitative Forms QS-1 & QS-2	Verbal (200) and Quantitative (210)	Wonderlic Personnel Test, Inc., 1509 N. Milwaukee Ave., Libertyville, IL 60048-1380, Contact: Mr. Victor S. Artese, Telephone: (800) 323-374, Fax: (847) 680-9492

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Satisfactory Academic Progress Cites
Sec. 484(c), 34 CFR 668.32(f) and 668.34

Requirements for Satisfactory Academic Progress Policy Cite
34 CFR 668.16(e)

Previous determination

If a school properly determined that a student had the ability to benefit under the rules that were in effect before July 1, 1996, the school does not have to redetermine the student's eligibility under the newer rules.

A student who has taken an approved, independently administered test within the last 12 months may submit the official test-score notification to the school to demonstrate his or her ability to benefit. If the school accepts the results of a previously administered test, that school must obtain documentation showing that the test and its administration meet federal requirements. If a student withdraws from school before receiving SFA funds and then re-enrolls more than 12 months after taking the test, he or she must be retested, unless he or she now has a high school diploma or equivalent.

SATISFACTORY ACADEMIC PROGRESS

To be eligible for SFA aid, a student must make satisfactory academic progress. Each school must have a satisfactory academic progress policy, which must contain elements specified in the regulations. A school can use satisfactory progress standards set by a state, accrediting agency, or some other organization, as long as those standards meet the federal requirements. A school must monitor its SFA recipients to ensure that they are meeting the school's satisfactory progress standards.

A school's satisfactory progress policy for students receiving SFA funds must be at least as strict as the policy used for students who do not receive SFA funds. The policy must be applied consistently to all SFA recipients within identifiable categories of students (such as full-time or part-time, graduate, or undergraduate students).

Minimum Standards

The school's satisfactory progress policy can include whatever standards the school finds acceptable, as long as the policy meets the minimum statutory and regulatory requirements. The school's satisfactory progress policy must include both a qualitative measure (such as the use of cumulative grade point average) and a quantitative measure (such as a maximum time frame for completion) of the student's progress. The law and regulations specify minimum standards for these two measures. The school may set stricter standards in its policy.

Qualitative standards

The law specifies that by the end of the second academic year (measured as a period of time, not by the student's grade level), the student must, in general, have a C average or its equivalent, or have an academic standing consistent with the requirement for graduation from the program. If a school does not use letter grades, a school's satisfactory progress policy should define "equivalent of a C average."

If a school determines that a student has maintained satisfactory progress standards even though his or her average falls below a C average, the school must be able to document that the student's average is consistent with the academic standards required for graduation.

Rather than using a single fixed standard throughout the program, a school may use a graduated grade point requirement. For example, a school using a 4-point scale can require students to have a 2.0 average by graduation, but allow the student's average to be lower earlier in the student's academic career. If school policy permits progression toward the 2.0 graduation requirement, the school may permit a lower standard at the end of the second academic year.

Quantitative standards

To accurately measure a student's progress in a program, more than a qualitative standard is needed. A student who is maintaining a high GPA by withdrawing from every course he or she attempts after the first year would meet a qualitative standard, but wouldn't be progressing towards graduation. Therefore, the satisfactory progress policy must also include a quantitative measure to determine the number or percentage of courses, credit hours, or clock hours completed.

To quantify academic progress, a school must set a maximum time frame in which a student is expected to finish a program. For an undergraduate program, the maximum time frame cannot exceed 150% of the published length of the program measured in academic years, academic terms, credit hours attempted, or clock hours completed, as appropriate. For instance, if the published length of an academic program is 120 credit hours, the maximum time frame established by the school must not exceed 180 attempted credit hours (that is, 120 x 1.5). The school decides which way of measuring the length is most appropriate.

To ensure that a student is making sufficient progress throughout the course of study, the school must divide the maximum time frame into equal evaluation periods called increments. An increment can't be longer than half the program or one academic year, whichever is less. In other words, for a school's 700-clock-hour program, an increment must not exceed 350 clock hours. For a school's 2,000-clock-hour program, an increment must not exceed 900 clock hours if the school defines the academic year as 900 clock hours. Increments generally are expected to coincide with payment periods.

The school's policy must also state the minimum amount or percentage of work a student must successfully complete by the end of each increment. This amount must be high enough to allow the student to complete the program within the maximum time frame.

No Letter Grade Example

Bennet College doesn't use a letter grading system, and in fact doesn't assign any grades. Instead, students only receive credit for a course if they successfully complete the course. If a student doesn't successfully complete a course, it's not listed on the student's transcript and the student must retake the course if it's required for his or her degree. Bennet College considers a student to have the equivalent of a C average if he or she has successfully completed at least half of the courses he or she has attended.

Graduated Qualitative Standard Examples

Guerrero University requires students to have a 2.0 GPA to graduate. A student who has completed 30 semester hours or less must have a 1.6 GPA, and a student who has completed 31 to 60 semester hours must have a 1.8 GPA. Students who have completed more than 60 semester hours must have a 2.0 GPA. In her first year at Guerrero University, Emma takes 28 semester hours, and her GPA is 1.9. Because her GPA is higher than 1.6, she meets Guerrero's satisfactory progress standards.

Owen is also attending Guerrero, and has been attending part-time. At the end of his second year at Guerrero, he's taken 24 semester hours, and his GPA is 1.7. Owen also meets Guerrero's satisfactory progress standards, because his GPA is higher than 1.6. Although Owen has less than a C average or equivalent at the end of his second academic year (Guerrero considers 2.0 to be the equivalent of a C average), he's still making satisfactory progress because he meets the standards required by Guerrero for graduation. However, if his GPA doesn't improve by the time he completes 30 semester hours, he'll no longer be making satisfactory progress.

First Year Progress	
Credits required	21
1st semester	0
+ 2nd semester	15
= completed credits	15hrs.

Second Year Progress	
Credits required	42
previous completed credits	15
+ 2nd year credits	27
= completed credits	42hrs.

First Increment Progress	
Credits required	8
1st class credits	4
+ 2nd class credits	0
+ 3rd class credits	4
= completed credits	8 hrs.

Quantitative Standard Examples

Students in Bennet College's bachelor's degree program are required to complete 120 credits. Bennet requires all students to enroll in 15 credits each semester. Most students complete the program in four years (eight semesters). Bennet sets a maximum time frame of six years (150% of the published length of four years), and uses a year as an increment. Bennet requires students to successfully complete at least 21 credits by the end of the first year, and an additional 21 credits for each increment after that.

Lydia enrolls for her first year at Bennet, and fails all her courses in the first semester. Even if she successfully completes all her courses in the second semester, she won't be making satisfactory progress at the end of the first increment, because she'll have completed only 15 credits. If she continues into the second year and successfully completes all but one of her courses (27 credits total), she'll meet the satisfactory progress standards by the end of the second increment (42 credits successfully completed).

Sarven Technical Institute has a 24 semester hour program that a full time student can complete within one year. Because many students attend part-time, Sarven decides to use a maximum time frame based on the length of the program in semester hours attempted. Using the 150% maximum, Sarven's policy states that a student must complete the program by the time he or she has attempted 36 semester hours. Sarven uses increments of 12 semester hours. In order to successfully complete 24 semester hours within the maximum time frame, the student must successfully complete 8 semester hours by the end of each increment.

Allen enrolls in this program. He enrolls in one class at a time, and each class is worth four semester hours. After he has enrolled in three classes (12 semester hours), Sarven must check to see if he's successfully completed enough work in that increment to be making satisfactory progress. Allen completes the first and third course, but fails the second. Because he completed 8 semester hours (two courses) in this increment, he's making satisfactory progress.

The school isn't required to set a fixed number of hours or credits that must be completed in each increment. Instead, the school can require the student to complete a certain percentage of the hours or credits he or she attempts. By setting a percentage rather than a fixed number of hours or credits, the school can easily adjust for differences in enrollment status from student to student or from one year to the next.

A school may use a graduated completion percentage for each year of enrollment. For instance, a school can let students complete a lower percentage in the first academic year but then gradually increase the required percentage to ensure that the student completes program requirements within the maximum time frame.

At some schools (mainly clock-hour schools), a student is given credit for every hour attended, so that the hours attempted equal the hours earned. In such cases, the quantitative standard must be based on calendar time (in weeks or months).

Quantitative Standard Percentage Example

A school that offers a 4-year program could allow students a maximum time frame of 6 years to complete the program. Edison College decides to allow students a maximum time frame of 5 years for its 4-year microbiology program. Edison uses the semester as the increment for measuring satisfactory progress. In order to allow students to complete the program within the maximum time frame, Edison requires students to complete 80% of the work attempted by the end of each increment (4÷5=.8).

Two students, Andrew and Malia, are enrolled in this microbiology program. In the first year, both students enroll in 15 credits per semester. At the end of the first semester, Andrew has earned 12 credits and Malia has earned 15 credits. At the end of the second semester, Andrew has earned a total of 21 credits and Malia has earned a total of 30 credits.

To be making satisfactory progress, Andrew and Malia must have completed 80% of the credits attempted by the end of the increment. For the first semester, they must complete 12 credits (80% x 15 credit hours attempted = 12 credit hours). Because both students successfully completed at least 12 credit hours in their first semester, they both were making satisfactory progress.

By the end of the second semester, they must have completed 24 credits (80% x 30 credit hours attempted = 24 credit hours). Malia is still making satisfactory progress at the end of the second semester, but because he only completed 21 credits, Andrew is not making satisfactory progress.

In the second year, Malia again enrolls for 30 credits, but Andrew only enrolls for 15 credit hours for the year. Andrew successfully completes all these credit hours, so he has earned 36 credits of 45 attempted. Malia completes 51 credits by the end of the second year.

To be making satisfactory progress by the end of the second year, Andrew must have completed 36 credits (80% x 45 credit hours attempted = 36 credit hours). Therefore, he is once again making satisfactory progress at the end of the second year. After the end of the second year, Malia must have completed 48 credit hours (80% x 60 credit hours attempted = 48 credit hours). Malia was also making satisfactory progress at the end of the second year.

First Year Progress

Credits required	
completion standard	80%
x credits	30
= completed credits	24hrs.

Second Year Progress

FT student

previous attempted credits	30
+ 2nd year credits	30
x completion standard	80%
= completed credits	48hrs.

HT student

previous attempted credits	30
+ 2nd year credits	15
x completion standard	80%
= completed credits	36hrs.

Calendar Time Quantitative Standard Example

Lem Community College has a 900 clock hour program that normally takes 8 months to complete. Lem allows a maximum time frame of 12 months to complete the program. Lem divides this time frame into increments of 4 months (which is half the published length of the program). In order to complete the entire program within 12 months, the student must complete 300 clock hours in each increment. Lem's satisfactory progress standards therefore require the student to attend 300 clock hours within the first 4 months (the first increment), 600 clock hours by the end of the second increment (after 8 months), and 900 hours by the end of the 12 month maximum time frame.

Other Elements

A school's satisfactory progress policy must explain how withdrawals, grades of "incomplete," courses that are repeated, transfer courses, and noncredit remedial coursework affect the academic progress determination. A school must also establish procedures that enable the student to appeal a determination that finds him or her not to be making satisfactory progress. For students ultimately judged not to be making satisfactory progress, the school must establish specific procedures that enable such students to once again meet satisfactory progress standards.

The quantitative and qualitative standards used to judge academic progress must be cumulative and must include **all** periods of the student's enrollment. Even periods in which the student did not receive SFA funds must be counted. Transfer credit hours must be counted as well, so that transfer students are not given more time than other students to complete the program. A school cannot set a

Mitigating Circumstances Example

Brust Conservatory has a policy to set aside the satisfactory progress standards under certain mitigating circumstances, including serious illness. Brust's policy specifies that if the student becomes seriously ill during a term, and the student can't attend classes for a month or more, then the courses for the term aren't taken into account when the school determines whether the student is making satisfactory progress. Brust requires the student to submit documentation from a doctor or other health care provider stating that the student's illness prevented him or her from attending school for at least a month.

Probationary Period Example

As part of its satisfactory progress policy, Lem Community College has a provision for academic probation. The first time a student fails to meet the satisfactory progress standards, he or she receives a notice from the school, and is put on academic probation for one term or payment period. The student can receive aid during this period, but isn't allowed to enroll more than half time. If the student doesn't meet the satisfactory progress standards at the end of the probationary term, he or she loses eligibility for any subsequent payments, until he or she meets the satisfactory progress standards again.

maximum time frame based on hours attempted and then have a policy to routinely exclude certain hours attempted, such as hours taken during a summer session, from its determinations of satisfactory academic progress.

Mitigating circumstances

A school can set aside the satisfactory standards for individual students if it determines that an unusual situation affected the student's progress. The law specifies cases in which the school might choose to set aside the standards: for example, if a student becomes very ill, if a student is severely injured, or if a student's relative dies. The school's satisfactory progress policy can include provisions to take such mitigating circumstances into account. A school that wants to set aside the normal standards due to mitigating circumstances must include in its policy an explanation of under what circumstances it will set aside the standards.

Conditional or probationary periods

A school can include a **limited** conditional or probationary period in its satisfactory progress policy. During such a probationary period, a student who didn't meet the satisfactory progress standards can still be treated as if he or she did meet the standards.

Completion of degree requirements

The school's satisfactory progress policy can state that a student who has completed all the coursework for his or her degree or certificate but hasn't yet received the degree or certificate can't receive further SFA aid for that program. This restriction can't simply be a limit on the number of hours completed (for instance, that the student isn't eligible once he or she has completed 120 semester hours for a program that requires 120 semester hours). The student must have actually completed the academic requirements for the degree or certificate he or she is pursuing. Of course, if the student enrolls in another program (seeking a different degree or certificate), this restriction would no longer apply, although the student would still have to meet other satisfactory progress standards.

SPECIAL PROGRAMS AND PROGRAM SPECIFIC REQUIREMENTS

In this section, we'll discuss some special types of programs: correspondence and telecommunications courses and study abroad. We'll also talk about some program specific requirements that apply to more than one of the SFA programs.

Correspondence Courses

A correspondence course is one for which the school provides instructional materials and exams for students who don't physically attend classes at the school. If the course uses video cassettes or discs, it is a correspondence course unless it provides the same video instruction to students who physically attend the school that year. A telecommunications course is considered a correspondence course if

the sum of the telecommunications and correspondence courses offered by the school is 50 percent or more than the total number of courses. Finally, if a course is part correspondence and part residential training, it is considered a correspondence course.

A student enrolled in a correspondence course can only receive SFA funds if the course is part of a program that leads to an associate's, bachelor's or graduate degree; if the program leads to a certificate, the student is not eligible for aid for that course. There are also restrictions regarding cost of attendance for correspondence courses; see Chapter 10 for more information.

Telecommunications Courses

A telecommunications course is one offered principally through television or audio or computer transmission. This includes open broadcast, closed circuit, cable, microwave, satellite and audio or computer conferencing. It also includes courses delivered on video cassette or disc as long as the courses are also offered that year to students who physically attend the school. If a course does not qualify as a telecommunications course then it is considered a correspondence course.

A student enrolled in a telecommunications course is eligible to receive SFA funds for it if it is part of a program that leads to a certificate or to an associate's, bachelor's or graduate degree. See the *SFA Handbook: Institutional Eligibility and Participation* for more information on telecommunications courses.

Study Abroad

Students in a study-abroad program are eligible for aid if the program is approved for credit by an eligible school. To receive aid, the student must be enrolled as a regular student at the eligible school approving the study-abroad coursework. Although the home institution must accept the study-abroad coursework for credit, the coursework doesn't have to be required for the student's degree program. There also must be a contractual agreement between the home institution and the foreign school (see *SFA Handbook: Institutional Eligibility and Participation*).

Enrollment Status

The Direct Loan and FFEL programs require a student to be enrolled at least half time to receive aid. (See the Direct Loan and FFEL Programs Reference for more information on the Direct Loan and FFEL programs.) The Pell and campus-based programs don't require half-time enrollment, but the student's enrollment status does affect the amount of Pell a student receives (see the Pell Reference for information on how enrollment status affects a student's Pell award).

To be enrolled half time, a student must be taking at least half of the course load of a full-time student. As specified in the regulations, schools define the full-time workload, subject to certain minimums. The definition of full time used for SFA purposes can differ from the definition used for other purposes at the school, such as the definition used by the registrar's office.

Correspondence Course Cites
Sec. 484(k), 34 CFR 668.38

Telecommunications Course Cites
Sec. 484(l), 34 CFR 668.38

Study Abroad Cites
Sec. 484(o), 34 CFR 668.39

Half-time Enrollment Requirement Cites
Sec. 428(b)(1)(A), 34 CFR 668.32(a)(2)

Full-time Student Definition Cite
34 CFR 668.2

Mixed Credits Enrollment Example
Stanislaw is enrolled in a program at Lem Community College. In the first term, Stanislaw is taking 6 semester hours and 3 quarter hours and is also taking 9 clock hours a week. To determine if Stanislaw is enrolled full-time, Lem divides the amount of each type of hour by the minimum requirement for full time, and then adds the fractions:

6/12 + 3/12 + 9/24= .5 + .25 + .375 = 1.125

Because the result is greater than one, Stanislaw is enrolled full time.

Noncredit or Reduced-Credit Cite
34 CFR 668.20

The school's definition of a full-time workload for a program must be used for all students enrolled in that program and must be the same definition for all SFA-related purposes, including loan deferments. The school can't accommodate a student with a learning disability or other handicap by allowing the student a full-time enrollment status lower than the minimum standard.

Minimum standard for full-time

The school may include any combination of courses, work, research, or special studies in its definition of workload. The regulations specify a minimum standard for undergraduate students, but not for graduate students. For undergraduate students, the school must define full-time status to meet at least the following minimums:

- 12 semester hours or 12 quarter hours per academic term in an educational program using a semester, trimester, or quarter system;
- 24 semester hours or 36 quarter hours per academic year for an educational program using credit hours but not using a semester, trimester, or quarter system, or the prorated equivalent for a program of less than one academic year;
- 24 clock hours per week for an educational program using clock hours;
- for a student who is taking a combination of courses offered using different types of hours, prorated percentages of the minimums for credit- and clock-hour measurements equal to at least one;
- a series of courses or seminars equaling 12 semester or quarter hours over a maximum of 18 weeks; or
- the work portion of a cooperative education program in which the amount of work performed is equivalent to the academic workload of a full-time student.

The school judges if the work portion of a co-op program is equivalent to a full-time academic workload; if it is equivalent, the co-op student is considered full-time, regardless of how many credits the school grants for the co-op work.

A student taking only correspondence courses is never considered to be enrolled more than half time.

If a student is enrolled in courses that do not count toward his or her degree, those hours cannot be used to determine his or her enrollment status, unless the coursework is noncredit or remedial as described below.

Incarcerated Student Cites
Sec. 401(b)(8), Sec. 484(b)(5), 34 CFR 668.32(c)(2)

Noncredit or reduced-credit coursework

Some schools offer remedial classes for which they give no credit, or reduced credit. A student can receive aid for a limited amount of remedial coursework that is included as part of a regular program. As long as the student qualifies for aid for remedial courses, the school needs to include the remedial courses in the student's enrollment status. To do so, the school must determine how many credit or clock hours the remedial course should be counted as. The school must determine the number of hours of study that the remedial course requires (both classroom and homework hours) and must compare that number with the hours required for similar nonremedial courses. The school should use the same number of credits for the remedial course as for a nonremedial course that requires the same amount of work. (Clock-hour schools should use the number of classroom hours attended in the remedial program.)

To determine a student's enrollment status, a school should add the credits or clock hours assigned to the noncredit course to the credits or clock hours of regular coursework.

Incarcerated Student

An incarcerated student is one serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or similar correctional institution. A student is not considered incarcerated if he is in a half-way house or home detention or is sentenced to serve only weekends.

If a student is incarcerated, he or she is ineligible for an SFA loan. In addition, the student can't receive a Pell if he or she is incarcerated in any federal or state penal institution (see the Pell Reference for more information).

Incarcerated students are eligible for FSEOGs and FWS.

For 2001-2002, the Department plans to add a post-screening match with the Social Security Administration (SSA) to determine if a student is incarcerated. See chapter 4 for more information.

Drug Convictions

As a result of the 1998 Higher Education Amendments, a drug conviction can disqualify a student for Title IV financial aid. A conviction that was reversed, set aside, or removed from the student's record does not count, nor does one received when the student was a juvenile, unless he or she was tried as an adult. This provision applies to eligibility for Title IV financial aid from July 1, 2000 on.

For possession of illegal drugs, a student is ineligible following the date of conviction for

- One year for a first offense
- Two years for a second offense
- An indefinite period for three or more offenses

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For sale of illegal drugs, a student is ineligible following the date of conviction for

- Two years for a first offense
- An indefinite time for a second offense

If a student is convicted of both possessing and selling illegal drugs, and the periods of ineligibility are different, the student will be ineligible for the longer period.

If a student successfully completes a qualified drug rehabilitation program s/he regains eligibility on the date of completion. Of course, further drug convictions will make the student ineligible again.

A qualified drug rehabilitation program must include at least two unannounced drug tests and must satisfy at least one of the following requirements:

- Be qualified to receive funds directly or indirectly from a federal, state or local government program.
- Be qualified to receive payment directly or indirectly from a federally or state licensed insurance company.
- Be administered or recognized by a federal, state or local government agency or court.
- Be administered or recognized by a federally or state licensed hospital, health clinic or medical doctor.

Students denied eligibility for an indefinite time can regain it only after completing a rehabilitation program as described or if a conviction is reversed, set aside or removed from the student's record so that less than two convictions for sale or three convictions for possession remain on the record. In such cases, the nature and dates of the remaining convictions will determine when the student regains eligibility.

If a student regains eligibility during the award year, the change is treated as are other changes in eligibility (e.g. attaining permanent resident or citizen status during the award year): Pell and campus-based aid may be awarded for the payment period, FFEL loans may be awarded for the period of enrollment, and direct loans may be awarded for the academic year.

Note that regarding drug convictions the student self-certifies as to eligibility for aid and completion of a qualified rehabilitation program; a school is not required to verify this unless it has conflicting information.

Citizenship

CHAPTER 2

A student has to be a citizen or eligible noncitizen to receive SFA aid. In this chapter, we discuss what citizenship statuses meet this requirement, and how a student documents his or her citizenship status.

ELIGIBLE CATEGORIES

Citizenship Cites

Sec. 484(a)(5), 34 CFR 668.32(d), 668.33, and Subpart I of Part 668.

A student must be a citizen or eligible noncitizen to be eligible for aid from the SFA Programs. The general requirement for eligible noncitizens is that they be in the U.S. for other than a temporary purpose. The specific eligible statuses are:

- A U.S. citizen or national.
- A U.S. permanent resident.[2]
- Citizens of certain Pacific Islands (the Freely Associated States).
- Other eligible noncitizens.

The Department performs matches through the application process to verify the student's status. In addition, there are procedures for a school to follow to confirm a noncitizen's status through INS if the CPS matches don't confirm that status.

Students who are eligible because they are citizens of certain Pacific Islands can only receive aid from some of the SFA programs (see "Citizens of the Freely Associated States," page 49). Students in the other categories are eligible for any type of aid through the SFA Programs if they're attending an eligible school in the United States. If attending foreign schools that participate in the FFEL Program, these individuals may receive FFELs. If a parent wants to take out a Federal PLUS Loan for a dependent undergraduate student, both the parent and the student must be U.S. citizens or nationals, permanent residents, or eligible noncitizens.[2]

[2] Note that the Department doesn't check a parent's citizenship status as part of the application process. Parents who are permanent residents or other eligible noncitizens should provide documentation of that status to the school.

Documenting Citizenship Cite
34 CFR 668.33(c)

Match Flag for Successful Match
A or blank

Match Flag for No Match
N

Comment for No Match
62

Data doesn't Match Example
Allen put in an incorrect number for his SSN when he completed his FAFSA. The number he used isn't in the SSA database. Therefore, his application fails both the SSN match and the SSA citizenship match. Allen will need to fix the problem before he can receive aid. Because the SSN is incorrect, Sarven Technical Institute asks Allen to complete a new FAFSA instead of making a correction (see Chapter 4 for more on fixing SSN problems).

U.S. CITIZEN OR NATIONAL

The term "U.S. citizen" includes citizens of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. All U.S. citizens are considered to be U.S. nationals. However, not all nationals are U.S. citizens: Natives of American Samoa and Swain's Island are not U.S. citizens but are nationals and therefore may receive SFA funds.

SSA citizenship match

All applications automatically go through the Social Security Administration (SSA) matching system, which verifies both U.S. citizenship status and Social Security Numbers (SSNs) (see Chapter 4 of this publication for information on the SSN match). The result of the SSA citizenship match is reported as "SSA" (on the ISIR) or "SSA Citizenship Code" (on the SAR) in the FAA Information section of the output document.

If the student leaves the citizenship question on the FAFSA blank, the CPS will still attempt the citizenship match. If there was a complete match with the student's SSN, name, date of birth, and U.S. citizenship, the CPS will assume the student is a citizen. The CPS will reject the application (for insufficient information) if one of the items did not match, or if the SSA match shows the student is not a citizen.

Note that U.S. citizens born abroad might fail the SSA citizenship match unless they have updated their citizenship information with the SSA (see "Updating Status for Citizens Born Abroad," page 32).

Successful match

There's no comment on the output document if the match is successful. Once all four SSA match elements (SSN, citizenship, name, date of birth) have been confirmed, the SSA Citizenship Flag will be carried forward to the next year's Renewal Application and the match will not need to be performed again in subsequent years (unless the student changes any of the match elements on a later application).

Data doesn't match

If SSA can't find a match in its database for the student's SSN, name, or date of birth, then it can't provide information about the student's citizenship. There will be a comment on the output document stating that SSA could not confirm citizenship because of a question about these items. The student will also have a problem with the SSN match in this case. The student should make the necessary corrections to the SSN, name, or date of birth (see Chapter 4 of this publication for a discussion of SSN match problems). When the corrections are sent to the CPS, the CPS performs the match again, and the school should check the new results to see if SSA confirmed the student's citizenship.

If the school and student have resolved the SSN problems, but still can't get the student's citizenship confirmed, the student can instead provide documentation of citizenship. See "Other Documentation" for a list of documentation the school can decide to accept.

Citizenship not confirmed

If the SSA didn't confirm that the student is a citizen, a comment will be provided explaining that the student either needs to provide documents proving citizenship or make a correction to show that he or she is an eligible noncitizen.

If the student is a citizen, he or she must give the school documentation of his or her citizenship status. If the student submits appropriate documents, the school can disburse aid to the student. Note that, unlike documentation for eligible noncitizens, the school doesn't submit these documents to the INS, or any other agency, for verification. The school does need to keep a copy of the documents in the student's file. The student might also want to contact SSA to have it update its database, but doesn't have to do this to receive aid. See "Other Documentation" for a list of possible documentation.

If the student is an eligible noncitizen, he or she must submit a correction, which must include the A-Number. When the correction is sent in, the CPS will attempt a match with INS to confirm the student's status (see "INS match," page 34).

Other Documentation

If a student must document his or her status as a citizen or national, the school decides what it considers acceptable documentation. The Department doesn't specify what documentation is acceptable. However, the following are some types of certification the school might choose to use:

- A copy of the student's birth certificate showing that he or she was born in the United States.
- A copy of Form FS-240 ("Report of Birth Abroad of a Citizen of the United States"), the FS-545 ("Certificate of Birth-Foreign Service"), the DS-1350 ("Certificate of Birth"), or the INS Form G-639 (the Freedom of Information Act Form). The first three forms are generated by the State Department and include an embossed seal with the words "United States of America" and "State Department."
- A U.S. passport, which may be current or expired. (In the case of nationals who are not citizens, the passport will be stamped "Noncitizen National.")
- A Certificate of Citizenship from the INS. This certificate must include at least the following information:
  - Δ the student's name,
  - Δ the certificate number (found in the upper right hand corner), and
  - Δ the date the certificate was issued.

Match Flags for Citizenship not Confirmed

*B, C, D, E, F, **

Comment for Citizenship not Confirmed

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Citizenship not Confirmed Example

Chavo is a U.S. citizen, but SSA doesn't confirm his citizenship status. Sarven Technical Institute asks him to submit documentation of his status. Chavo first submits a Social Security card, but Sarven explains that the card doesn't document his status because noncitizens can have Social Security cards. Chavo then brings in his U.S. passport. Sarven makes a copy of the passport for its files, and tells Chavo his citizenship has been documented. Sarven also advises Chavo to have the SSA correct its database, so that he won't have this problem again.

Social Security Card and Driver's License

A Social Security card or driver's license isn't acceptable for documenting citizenship or national status: Noncitizens and nonnationals can also have these forms of identification.

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- A Certificate of Naturalization from the INS. This certificate must contain at least

  Δ the student's name,
  Δ the certificate number (found in the upper right hand corner),
  Δ the INS A-Number,
  Δ the name of the court that granted the naturalization, and
  Δ the date of naturalization.

Older versions of the Certificate of Citizenship and of the Certificate of Naturalization advise the holder not to photocopy them. The INS, however, permits photocopying of these documents if done for lawful purposes (such as applying for SFA funds).

Updating Status for Citizens Born Abroad

Even though students are considered U.S. citizens when born abroad to parents who are U.S. citizens, the SSA database is not automatically updated to indicate the student's status even if the student's birth was registered. Therefore, such students (for example, those born on military bases abroad) will fail the SSA citizenship match until the SSA database is corrected. That is, the applications of U.S. citizens who were born abroad but who file as U.S. citizens are automatically flagged by the SSA as ineligible foreign born, even if the applicant has an SSN.

Such students can document citizenship by providing a "Certificate of Birth Abroad." If the birth of the student was (before he or she reached age 18) registered with the American consulate or embassy in a foreign country, the student can receive a copy of the certificate by contacting

Department of State
Passport Correspondence Branch
1111 19th St. S.W., # 510
Washington, DC 20522-1705
202-955-0737

The student should provide the following information: Name given at birth; date and place of birth; daytime phone number; parents' names and their dates and place(s) of birth; and a $10 check or money order made to the Department of State. Students will receive either form FS-240 or DS-1350. This process takes four to eight weeks. The student might also want to contact SSA about updating its database.

If the student's over 18 and the birth wasn't registered, he or she can file a self-petition for a "Certificate of Citizenship" to any local U.S. INS office (Form N-600). Proof of the parents' U.S. citizenship at the time of the student's birth must be provided.

SSA Citizenship Match

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
SSA confirmed citizenship status		A or blank	No comment	None
SSA did not confirm citizenship status	B, C, D, E, F, or *	C code	146 We sent your application to Social Security Administration (SSA) to verify your citizenship status. The SSA did not confirm that you are a U.S. citizen. You need to provide your school with documentation of your citizenship status before you can receive Federal student aid. If you are an eligible noncitizen, you must correct Item 14 on this SAR and provide your Alien Registration Number if necessary.	If the student is a U.S. citizen, he or she should provide documentation (see "Other Documentation," page 31). If the student is an eligible noncitizen, he or she should correct Item 14 and provide a valid A-Number. If the student is then successfully matched with INS as an eligible noncitizen, no further resolution is necessary.
SSA could not confirm citizenship status because there was no match on SSN, name, or date of birth	N	C code	062 In addition, the Social Security Administration could not confirm your claim of U.S. citizenship because of questions about your social security number, name, or date of birth.	Make any necessary corrections to SSN, name, or date of birth so record can be sent back for matching. Review subsequent transactions for the updated match results. If the student believes the information originally reported is correct, he or she should contact SSA so that it may update its database. The school may pay the student if it receives documentation of the student's citizenship status (see "Other Documentation").

U.S PERMANENT RESIDENTS AND OTHER ELIGIBLE NONCITIZENS

A permanent resident is a noncitizen who is legally permitted to live and work in the United States permanently. Other eligible noncitizens include

- **Refugees.** This status is considered temporary, although refugees can apply for permanent residence;
- **Persons granted asylum.** Persons who have been granted asylum in the United States are given employment authorization for one year. At the end of that year, they are eligible to apply for permanent residence. Asylum status continues unless revoked by INS or until permanent residence status is granted;

- **Conditional entrants.** These individuals are refugees who entered the United States under the seventh preference category of P.L. 89-236 or whose status was adjusted to lawful permanent-resident alien under that category. Note that INS stopped using this category on March 31, 1980;

- **Persons paroled into the U.S. indefinitely for humanitarian reasons.** These individuals are allowed to enter the United States under emergency conditions or under the determination that their entry is in the public interest. This status is temporary;

- **Cuban-Haitian entrants**.

Some noneligible statuses are:

- **Family unity status.** Such individuals have been granted relief from deportation under the Family Unity Program. Previously they were eligible for SFA funds.

- **Temporary residents.** These individuals are allowed to live and work in the U.S. under the Legalization or Special Agricultural Worker program. Previously they were eligible for SFA funds.

- **Individuals with nonimmigrant visas.** This includes those with work visas, and students, visitors, and foreign government officials.

INS match

To verify the citizenship statuses of U.S. permanent residents and other eligible noncitizens, the Department collects Alien Registration Numbers (A-Numbers) on the FAFSA. (The INS assigns A-Numbers to all legal immigrants.) If the applicant indicates on the FAFSA that he or she is an eligible noncitizen and provides an A-Number, identifying information from the FAFSA is automatically sent to the INS for confirmation. This verification process, performed by the INS, is known as "Primary Confirmation."[1]

The results of the match are shown by a match flag in the FAA Information section of the output document, under the heading "INS" (on the ISIR) or "INS Match Flag" (on the SAR). There will also be a comment about the results on the output document.

Because all applications are sent to the SSA match, an application that undergoes the INS match will also undergo the SSA citizenship match. Results from the INS match take precedence over any results from the SSA citizenship match. Therefore, in cases where the INS match is conducted, the SSA citizenship match flags aren't on the output document, and the school should follow the usual procedures for resolving any INS match discrepancies.

[1] Although we use the word "verification," this process is not related to the Department's verification requirements, which are discussed in Chapter 8.

Note that if a student leaves the citizenship question blank but provides an A-Number, the CPS will assume the applicant is an eligible noncitizen and will forward the A-Number to the INS to confirm eligibility. If the student leaves both the citizenship question and A-Number blank, the CPS won't attempt the match with the INS, although as mentioned earlier it will match with SSA. If the student isn't a citizen, the application will be rejected, and the student must submit a correction with the correct citizenship status and an A-Number if he or she is an eligible noncitizen.

Reject Code and Comment Number if Noncitizen Leaves All Citizenship Information Blank
Reject 17, Comment 68

Match Flag for Successful Match
Y

Comment for Successful Match
143

Comment for Not Enough Information
142

INS Verification Number

When an INS match is conducted, a 13-digit INS Verification Number is assigned to the student and printed in the FAA Information section. The school will need this number if it has to check the student's status through the secondary process the Department has with the INS (see "Secondary Confirmation"). Note that if no INS match can be made because a student failed to provide an A-Number on the application, that student won't receive an INS Verification Number. The student's information should be resubmitted with the A-Number so that a computer match may be attempted, because the school won't be able to check the student's status through the secondary process unless it has an INS Verification Number.

Successful match

If the INS confirms the student's citizenship status through the match, then the student can receive aid. The output document with the successful match results is documentation of the student's eligible status. Of course, if the school has other information about the student's status that seems to contradict the successful match result, it must resolve the conflicting information before paying the student (see "Conflicting Information" in the Introduction to this publication).

Not enough information

If the student said he or she was an eligible noncitizen but didn't provide an A-Number, or the A-number was illegible or invalid, the match won't be attempted. Instead, the student will receive a comment explaining that there's a question about the A-Number, and directing the student to provide documentation of his or her eligibility to the school. The student will need to submit a correction with the correct A-Number, so that the match can be conducted. The school can't use Secondary Confirmation to confirm the student's status.

Note that citizens of the Marshall Islands, the Federated States of Micronesia, and Palau will get the same comment because such students won't have A-Numbers to report. However, these students aren't required to provide proof of eligible noncitizen status (see "Citizens of the Freely Associated States," page 49).

INS Match

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Student's eligible non-citizen status confirmed by INS	Y		143 Your citizenship status has been confirmed by the Immigration and Naturalization Service (INS), and you meet the citizenship requirements for Federal student aid.	None
Match not conducted because student did not provide enough information (including a valid A-Number)	blank	C code	142 The Immigration and Naturalization Service (INS) could not confirm your statement that you are an eligible noncitizen because there is a question about your alien registration number. You must submit proof of your noncitizen eligibility to your school within 30 days after you give this SAR to your school. If you fail to submit proof within 30 days, you may be found ineligible for Federal student aid.	The student should make corrections to provide the missing information. When the corrections are submitted, the application will be matched with the database; the school should check the new output document for match results. This comment will also appear for certain non-citizens not required to have A-Numbers (see "Citizens of the Freely Associated States," page 49).
INS did not confirm student's eligible non-citizen status	N	C code	144 The Immigration and Naturalization Service (INS) did not confirm your statement that you are an eligible noncitizen. You must submit proof of your noncitizen eligibility to your school within 30 days after you give this SAR to your school. If you fail to submit proof within 30 days, you may be found ineligible for Federal student aid.	Secondary Confirmation required (see "Using the G-845S for Secondary Confirmation," page 41).

Match Flag for No Confirmation
N

Comment for No Confirmation
144

Status not confirmed

If the match was conducted, but the INS didn't confirm the student's status, the school must resolve the discrepancy before paying the student. Although the student isn't automatically ineligible for SFA funds, additional procedures may be necessary to document the student's eligibility. This subsequent process is called Secondary Confirmation.

The student will have a comment on the output document explaining that his or her status wasn't confirmed. The comment also tells the student to submit documentation to the school. The school

INS Match (continued)

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Match not conducted because student did not indicate citizenship status	blank	Reject 17	068 You did not indicate on your application that you are a U.S. citizen or an eligible noncitizen. To be eligible to receive Federal student aid, a student must be-- (1) A U.S. citizen (or U.S. national), or (2) An eligible noncitizen, such as a U.S. permanent resident or a resident of certain Pacific Islands, or (3) An eligible noncitizen as determined by the Department of Education	If student failed to indicate citizenship, citizenship match with SSA was still conducted. If that match confirmed the student's citizenship, the application will not be rejected, and no resolution is required, although the student should make a correction to indicate he or she is a citizen or national. If SSA did not confirm the student's citizenship, the student receives Reject 17 and resolution is required. The student should provide correct information on his or her citizenship status in Item 14. The student should also provide an A-Number if he or she is an eligible noncitizen. The student's record can then be sent through the INS match; the school should review the INS match flags on the new output document.
Match not conducted because student changed status from eligible noncitizen to citizen or changed confirmed A-Number	blank	C code	141 You changed your response to citizenship or you changed the alien registration number verified with INS. You must submit proof of your citizenship status to your FAA.	The school must determine why the student made the change and resolve any conflicting information. The student may need to submit proof of citizenship, depending on the reason for the change.

can use this documentation to perform Secondary Confirmation. However, if the student submitted incorrect information on the application, the student may instead make a correction so that the CPS can attempt the match again.

Status not Confirmed Example

On his original application, Hector reported that he was a citizen, and didn't report his A-Number. When SSA didn't confirm this, he told the FAA at Guerrero University that he was a permanent resident. Hector made a correction, but the INS didn't confirm his status as an eligible noncitizen. This time, he explained to the FAA that he had applied for permanent resident status, but didn't have documentation yet. The FAA told him that when he had documentation that his application was approved, he should bring it to Guerrero, so that it could be submitted to the INS for confirmation.

Conditions Requiring Secondary Confirmation Cite

34 CFR 668.133(a)

Use of Copy of I-94

Note that a refugee or an asylee may apply for permanent-resident status. During the period in which the application is being reviewed, the student must surrender his or her original I-94 to INS. INS will give the student a copy of the original I-94, which will include the endorsement "209a (or 209b) pending. Employment Authorized." Students with this form of documentation are eligible for SFA funds.

Documentation for Cuban-Haitian Entrants

The I-94 for some Cuban-Haitian entrants who are applying for permanent residence may be stamped "applicant for permanent residence." (Or the student may instead be given a separate document acknowledging the receipt of his or her application for permanent residence.) Because the application for permanent residence is not sufficient to make a student eligible for SFA funds, a student who is a Cuban-Haitian entrant must request documentation of that status from INS.

Secondary Confirmation

If the INS can't confirm a student's claim to be an eligible noncitizen or a school has conflicting information about a student's citizenship status, the school has to use a secondary process to confirm the student's status. The student has to give the school documentation showing that he or she is an eligible noncitizen. If this documentation doesn't seem to provide reasonable evidence that the student is an eligible noncitizen, the school can determine that the student isn't eligible for SFA funds. However, if the student provides documentation that appears to demonstrate that he or she is an eligible noncitizen, the school submits the documentation to the INS to confirm that the documentation is valid. This collection and submission of additional material is known as "Secondary Confirmation."

Acceptable Documents

The standard documentation for a permanent resident of the United States is the Alien Registration Receipt Card (Form I-151 or Form I-551). Both forms are referred to colloquially as "green cards," although the newly issued forms are most often white with blue or pink wavy lines. The INS is replacing cards issued before 1979 with these new, counterfeit-resistant cards. The deadline established for permanent residents to replace their old cards was March 20, 1996. However, the older Form I-151 cards remain acceptable as evidence of permanent residence for the purpose of receiving SFA funds. A passport or a Departure Record (Form I-94) is also acceptable if it has one of the following stamps:

- A passport or I-94 stamped "Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid until _____. Employment Authorized."

- An I-94 stamped "Temporary Form I-551. Admission for permanent residence at _____[port] on _____ [date] verified. _____ [signature of issuing officer] _____ [title]." This I-94 will also contain the individual's photo and an INS seal over the photo and the stamp.

For other types of eligible noncitizens, evidence of their status is on the I-94. The I-94 will contain one of the following:

- **Refugees.** A stamp reading either "Admitted as a Refugee Pursuant to Section 207 of the Act. If you depart the United States you will need prior permission to return. Employment Authorized," or "Status changed to refugee pursuant to Section 207 (c)(2) of the Immigration Nationality Act, on _____. Employment Authorized." Refugees may also have a Refugee Travel Document (Form I-571), which can be used for documentation if it's unexpired.

- **Asylees.** A stamp reading "Asylum status granted pursuant to Section 208, INS. Valid to _____. Employment Authorized."

- **Conditional entrants.** A stamp indicating that the student has been admitted to the United States as a conditional entrant. Because INS stopped using this category on March 31, 1980, a school that doesn't hear from the INS within the permissible time frame shouldn't disburse to a student who shows an I-94 with conditional-entrant status granted after March 31, 1980.

- **Parolees.** A stamp indicating that the student has been paroled into the United States for an indefinite period of time for humanitarian reasons. The word "indefinite" and/or "humanitarian" will be handwritten into the stamp.

- **Cuban-Haitian entrants.** A stamp across the face of the I-94 indicating that the student has been classified as a "Cuban-Haitian Entrant (Status Pending). Reviewable January 15, 1981. Employment authorized until January 15, 1981." Note that a document showing that the holder is a Cuban-Haitian entrant is valid even if the expiration date would make the document appear to be no longer valid.

Each of the documents described above will be stamped in a rust-colored ink. It will normally contain a validation indicating the office of issuance and a code that indicates what officer prepared the document. Examples of codes are "WAS-82" (Washington District Office, Officer Number 82) or "1/13/84 SPO.KD" (Spokane Office, officer's initials KD).

The school must keep in the student's file a copy of the citizenship documentation the student submits, along with the Secondary Confirmation results received from the INS. Documentation provided as proof of the student's citizenship status (such as the I-551 and I-94) may legally be photocopied by the student, as long as the photocopies are made for this lawful purpose. The student must understand that he or she is permitted to photocopy an INS document **only** for lawful purposes such as applying for SFA funds. (Document photocopying is generally not permitted even for other purposes.)

FAAs must always examine and copy original documents. Sometimes the endorsement (a stamp) does not photocopy well due to the ink color on the original document. In this case, the financial aid administrator should hand copy the exact endorsement on the photocopy. Because the endorsement can be placed anywhere on the I-94, the endorsement may be difficult to locate. Note that although the endorsement may appear on the student's passport, the endorsement **must also** be on the I-94. INS offices don't have uniform procedures or stamps. The school should contact the local INS office with questions regarding acceptable citizenship documentation.

Special circumstances

If the student has an I-551 with a baby picture, he or she should update the I-551 with INS. Permanent residents are expected to get a new picture and be fingerprinted at the age of 14. However, the school can submit the documents to INS and

Jay Treaty

There is one unusual circumstance where the school will need to collect documentation from the student but not submit it to the INS for Secondary Confirmation. The Jay Treaty of 1794 (as well as subsequent treaties and U.S. immigration law) gives Canadian-born Native Americans with "50% Indian blood" the legal right to live and work in the United States. Such individuals are not subject to the legal restrictions typically imposed on aliens by the INS, are not required to obtain documentation from the INS, and are considered "lawfully admitted for permanent residence."

Because few SFA applicants are eligible under the Jay Treaty, the FAFSA does not include a separate response for such students. Therefore, any student eligible for SFA funds through the Jay Treaty should report that he or she is an "eligible noncitizen" and fill in "A999999999" for the A-Number. The application will not be matched with INS, and a comment (comment 142) will be printed on the output document. The school must obtain proof that the student has 50% Native American blood and was born in Canada. To do so, the student should provide one or more of the following documents:

- *A "band card" issued by the Band Council of a Canadian Reserve, or by the Department of Indian Affairs in Ottawa.*

- *Birth or baptism records.*

- *An affidavit from a tribal official or other person knowledgeable about the applicant's or recipient's family history.*

- *Identification from a recognized Native American provincial or territorial organization.*

If the student can provide one of the above forms of documentation, and is otherwise eligible, the school must document the file and can award SFA funds.

ultimately pay a student who has an I-551 with a baby picture, as long as the school can confirm that the I-551 belongs to the student. The school can confirm this by comparing the I-551 to a current photo ID that has the student's name, date of birth, and signature. (The current photo ID must also be consistent with any identifying information in the student's file at the school.)

A student who has an approved application for permanent residence on file with INS and who is waiting for an Alien Registration Receipt Card may not have proof of his or her citizenship status. The student should contact his or her local INS office for the passport stamp or I-94 stamp described on page 38, as these are available to the student before the normal permanent-residency documentation is issued. Note that an **application** for permanent-resident status is not sufficient for determining eligibility for SFA funds.

The Marriage Fraud Amendments established a two-year conditional permanent-residence status for certain alien spouses and their children. The alien spouse of a U.S. citizen or legal immigrant is given conditional permanent-residence status if the marriage took place less than two years before the spouse applied for permanent-residence status or citizenship. This status may also apply to any of the spouse's children who are aliens.

An alien who is granted conditional permanent-residence status will be given a Form I-551. This form is the same I-551 that is issued to regular permanent residents, except that the card will have a "C" (for "conditional") on the front and an expiration date on the back. Once the two-year period expires, a conditional permanent resident must file a petition for removal of this restriction within 90 days after the end of that period. The alien's petition will then be reviewed. If the results of the review are satisfactory, the restriction will be dropped, and new documents will be issued. Conditional permanent residents holding an I-551 with a valid expiration date are eligible to receive aid under the SFA Programs.

If a person is applying to suspend deportation, he or she must request a hearing before an Immigration Law judge who will render an oral or written decision. If the decision is favorable, the INS will give the applicant a Form I-551, which will certify his or her lawful permanent-resident status. Therefore, there is no special category for persons who have been granted suspensions of deportation.

Documents showing noneligible statuses

If the document a student submits is for a noneligible status, the school shouldn't submit the documentation for Secondary Confirmation. The INS can only confirm whether or not the documentation is genuine; it doesn't determine whether the student is eligible for SFA aid. Unless the student can submit

documentation for an eligible status, as described above, the student can't receive aid.

An approved Form I-797, "Application for Voluntary Departure Under the Family Unity Program," indicates that the student has been granted relief from deportation under the Family Unity Program. Students with this status are no longer eligible for SFA aid.

The Immigration Reform and Control Act of 1986 (IRCA) established a legalization program (also called the amnesty program) for certain illegal aliens. The alien might eventually be granted permanent resident status. Although these individuals were given documentation that allowed them to work while their application was being processed, they aren't eligible for SFA aid until their application for permanent resident status is approved. Documents such an individual might have in the interim are the Employment Authorization Card (Form I-688A), Employment Authorization Documents (Form I-688B or the I-766), or the Temporary Resident Card (Form I-688). None of these documents qualify the student for SFA eligibility.

A student with a nonimmigrant visa isn't eligible for SFA funds unless he or she has a Form I-94 with one of the endorsements listed earlier. Nonimmigrant visas include the F-1, F-2 or M-1 Student Visa, B-1 or B-2 Visitor Visa, J-1 or J-2 Exchange Visitors Visa, H series or L series Visa (which allow temporary employment in the U.S.), or a G series Visa (pertaining to international organizations). Also, someone who has only a "Notice of Approval to Apply for Permanent Residence (I-171 or I-464)" cannot receive SFA funds.

Some students may present Forms I-94 stamped "Temporary Protected Status." This status is used for persons who are from countries that are in upheaval, but the status differs significantly from "Refugee" or "Asylum" because it provides no conversion to permanent-resident status. A student with this status is **not** eligible for SFA funds.

Using the G-845S for Secondary Confirmation

To initiate Secondary Confirmation, the school must complete a Form G-845S. The G-845S ("Document Verification Request") is a standard INS form that is used to ask the File Control Office at INS to confirm that a noncitizen's documentation is valid. A copy of the G-845S is on pages 43 and 44.

To complete the G-845S, fill in each item on the top half of the form. The A-Number is provided in the first item; "Education Grant/Loans/Work Study" must be marked in Box 8, "Benefits." The FAA must state his or her name as the submitting official and the school's name as the submitting agency. Under Item 6, "Verification Number," the school must provide the 13-digit number that is located in the FAA

Elimination of Verification Number Exception

In previous years, if the INS match failed due to processing problems, the student's output document would have no Verification Number, but the school would need to perform Secondary Confirmation to verify the student's status. In those cases, schools were allowed to send a G-845S for Secondary Confirmation without the Verification Number, as long as they noted the specific comment associated with the processing failure (Comment 145) on the G-845S. Beginning with the 1999-2000 award year, the processing failure results and comment have been eliminated, because the Department has set up the processing system to prevent match failures in individual cases. Therefore, schools must provide a Verification Number on every G-845S it sends to INS. Note that the Department will notify schools if there are general problems with or changes to any of the matches.

Procedure Requirements Cite

34 CFR 668.135

Determining Eligibility if INS Response is Late Cite

34 CFR 668.136(b)

Information section with the match flags. Secondary Confirmation requests sent to INS without Verification Numbers will be returned unprocessed.

Photocopies of the front and back sides of the student's citizenship document must be attached to the Form G-845S. Be sure to submit each pertinent visa and document along with the G-845S. The G-845S is used only to certify the authenticity and identity of immigration documents attached to it; the G-845S can't be submitted to INS by itself for determining a student's eligibility for SFA funds. A student who has lost documents or surrendered these documents when entering prison is responsible for obtaining copies of these documents before the G-845S is submitted. (See "Replacing Lost INS Documents," page 50.) Schools can request copies of immigration documents directly from penal institutions at the request of the student. The school must send the completed G-845S and attachments to the File Control Office serving its locale no more than 10 business days after receiving the documentation from the student.

A status-verifier at the District INS Office will search the student's record to confirm his or her immigration status. The status-verifier at the INS office completes the "INS Response" section of the G-845S and sends it back to the school, generally within 10 working days of receipt. The Department recommends that the school document its mailings to INS. If the school hasn't heard from INS, it might want to call the INS office to make sure that the G-845S was received. If the school doesn't receive a determination from INS within 15 working days (10 working days plus 5 days mail time) of the date the school sent the G-845S, the FAA should review the file to determine whether he or she feels the student meets the citizenship eligibility requirements based on the documentation the student provided and the information in this chapter. If the FAA believes that the student meets the requirements, the school can make any disbursement for which the student is otherwise eligible; the school, however, must note in the student's file that INS exceeded the time allotment and, thus, citizenship eligibility was determined without the benefit of INS verification.

When Secondary Confirmation results in an eligible status, the school must keep the G-845S. If a discrepancy is discovered as a result of the INS response, the school must notify the student that he or she must correct the discrepancy with INS and that no certification of loans or further disbursement of funds can be made until the discrepancy is corrected. If the discrepancy isn't reconciled with INS, the student must repay all aid except wages earned under FWS. Whenever the student is able to provide new information, it must be submitted to INS on a new G-845S.

As long as the school has followed the procedures outlined here, including notifying the student of the discrepancy and withholding further payments and loan certifications as soon as a discrepancy is

U.S. Department of Justice
Immigration and Naturalization Service

SAVE

OMB #1115-0122
Document Verification Request

Section A - *to be completed by the submitting agency.*

To: Immigration and Naturalization Service

6. Verification Number

7. ☐ Photocopy of Document Attached.
(If printed on both sides, attach a copy of the front and of the back.)
☐ Other Information Attached *(Specify documents)*

From: Typed or Stamped Name and Address of Submitting Agency

Attn: Status Verifier
(INS may use above address with a #20 window envelope.)

8. *(Benefit)*	*(Your Case Number)*
☐ AFDC	
☐ Education Grant/Loans/Workstudy	
☐ Food Stamp	
☐ Housing Assistance	
☐ Medicaid/Medical Assistance	
☐ Unemployment Insurance	
☐ Employment Authorization	
☐ **Other** *(specify)*	

1. Alien Registration or I-94 Number
2. Applicant's Name *(Last, First, Middle)*
3. Nationality
4. Date of Birth *(Month/Day/Year)*
5. Social Security Number
9. Name of Submitting Official
10. Title of Submitting Official
11. Date
12. Telephone Number

Section B - *to be completed by INS*

INS RESPONSE: From the documents or information submitted and/or a review of our records we find that:

1. ☐ This document appears valid and relates to a **Lawful Permanent Resident alien** of the United States.
2. ☐ This document appears valid and relates to a **Conditional Resident alien** of the United States.
3. ☐ This document appears valid and relates to an alien **authorized employment** as indicated below:
   a. ☐ Full-Time
   b. ☐ Part-Time
   c. ☐ No Expiration (Indefinite)
   d. ☐ Expires on *(specify Month/Day/Year, below)*
4. ☐ This document appears valid and relates to an alien who has an application pending for *(specify INS benefit below)*
5. ☐ This document relates to an alien having been **granted asylum/refugee** status in the United States.
6. ☐ This document appears valid and relates to an alien **paroled** into the United States pursuant to Section 212 of the I&N Act.
7. ☐ This document appears valid and relates to an alien who is a **Cuban/Haitian entrant**.
8. ☐ This document appears valid and relates to an alien who is a **conditional entrant**.
9. ☐ This document appears valid and relates to an alien who is a **nonimmigrant** *(specify type or class below)*
10. ☐ This document appears valid and relates to an alien **not authorized employment** in the United States.
11. ☐ Continue to process as legal alien. INS is searching indices for further information.
12. ☐ This document is **not valid** because it appears to be *(check all that apply)*
    a. ☐ Expired
    b. ☐ Altered
    c. ☐ Counterfeit

INS Stamp

50 ☐ **Please see reverse for additional comments.**

Form G-845S (Rev. 06/06/89) Y

BEST COPY AVAILABLE

Comments

13. ☐ No determination can be made from the information submitted. Please obtain a copy of the **original** alien registration documentation and resubmit.
14. ☐ No determination can be made without seeing **both** sides of the document submitted *(please resubmit request).*
15. ☐ Copy of document is not readable *(please resubmit request).*

"PRUCOL"

For Purposes Of Determining If Alien Is Permanently Residing Under Color Of Law Only!

16. ☐ INS actively pursues the expulsion of an alien in this class/category.
17. ☐ INS **is not** actively pursuing the expulsion of an alien in this class/category, at this time.

18. ☐ Other

Instructions

- **Submit copies of both** *front and back* **of alien's original documentation.**
- **Make certain a** *complete return address* **has been entered in the "From" portion of the form.**
- The Alien Registration Number ("A" Number) is the letter "A" followed by a series of (7) or (8) digits. Also in this block may be recorded the number found on Form I-94. (Check the front and back of the I-94 document and if the "A" Number appears, record that number when requesting information instead of the longer admission number as the "A" Number refers to the most integral record available.)
- If Form G-845 is submitted without copies of applicant's original documentation, it will be returned to the submitting agency without any action taken.
- Address this verification request to the local office of the Immigration and Naturalization Service.

found, the school isn't liable for aid disbursed prior to Secondary Confirmation. (This, of course, assumes that the school had no other conflicting information prior to making the disbursement and had reviewed the documentation and felt on that basis that the student was eligible.)

Interpreting the INS response

The G-845S has a number of checkboxes for the INS response. The status verifier will mark one or more of the boxes. The following list explains for each checkbox whether checking the box means the student is eligible. In reviewing the INS response, bear in mind that the G-845S reflects the student's most recent status with the INS and may show a different status than the documentation presented by the student. In this case, the school should verify that both documents identify the same person. If so, the status on the G-845S should be used since that status is the most current.

- **1. This document appears valid and relates to a Lawful Permanent Resident alien of the United States.** Block #1 is checked when the documentation submitted is determined to be a valid I-551, I-151, I-181, or I-94 or a passport stamped with the notation "Processed for I-551, Temporary Evidence of Lawful Admission for Permanent Residence."[3] A student with this status is eligible for SFA aid.

- **2. This document appears valid and relates to a Conditional Resident alien of the United States.** This is checked when the documentation submitted is determined to be a valid I-551, I-181, or I-94 or a passport stamped with the notation "Processed for I-551, Temporary Evidence of Lawful Admission for Permanent Residence." A student with this status is eligible for SFA aid.

- **3. This document appears valid and relates to an alien authorized employment as indicated below.** This is checked to indicate whether the authorization covers full-time or part-time employment and when, if applicable, the period of employment will expire. "Indefinite" will be indicated if there is no specific expiration date for employment eligibility. Employment authorization by itself doesn't mean that the student is eligible for SFA funds. Unless some other eligible status is also checked, or the student can provide other documentation that can be confirmed by the INS, the student isn't eligible for SFA aid.

- **4. This document appears valid and relates to an alien who has an application pending for...:** This is checked when an alien is waiting for a new immigration status or a change of immigration status. If a change of status is pending, the appropriate block indicating the current status will also be checked elsewhere on the G-845S. A pending application for an immigration status doesn't (by itself) make the student eligible for SFA funds. To be eligible, the student must have an eligible status checked on the form, or provide other documentation of an eligible status.

- **5. This document relates to an alien having been granted asylum/refugee status in the United States:** This is checked when an alien has been granted asylum or refugee status in the United States. Documentation presented may include either Form I-94 stamped with "Section 207-Refugee" or "Section 208-Asylee" or a Refugee Travel Document (Form I-571). A student with this status is eligible for SFA aid.

- **6. This document appears valid and relates to an alien paroled into the United States pursuant to Section 212 of the I&N Act:** This is checked for an alien who has been allowed to enter the United States under emergency conditions or under the determination that his or her entry is in the public interest. This status is temporary. Documentation presented may include Form I-94 stamped with "Section 212(d)(5) - Parolee." A student with this status is eligible for SFA aid.

- **7. This document appears valid and relates to an alien who is a Cuban-Haitian entrant:** This is checked for Cubans who entered the United States illegally between April 15, 1980 and October 10, 1980 and Haitians who entered the country illegally before January 1, 1981. A student with this status is eligible for SFA aid.

- **8. This document appears valid and relates to an alien who is a conditional entrant:** This is checked for conditional entrants under the old provisions of P.L. 89-236. Documentation presented may include Form I-94 stamped with "Section 203(a)(7)." Noncitizens who fall into this category had to have entered the United States prior to the enactment of the Refugee Act of 1980. A student with this status is eligible for SFA aid.

- **9. This document appears valid and relates to an alien who is a nonimmigrant.** This is checked to indicate an alien who is temporarily in the United States for a specific purpose. This category includes students, visitors, and foreign government officials. Documentation presented may include the Form I-94. Students with this status aren't eligible for SFA aid.

- **10. This document appears valid and relates to an alien not authorized employment in the United States:** This block is checked when an alien's status prohibits employment in the United States. Students with this status aren't eligible for SFA aid.

- **11. Continue to process as legal alien. INS is searching indices for further information.** This block is checked if INS is withholding judgment, pending further investigation on the status or validity of documentation. This statement doesn't imply that the applicant is an illegal alien or the holder of fraudulent documentation. Benefits shouldn't be denied on the basis of this statement.

The student's documentation should be accepted at face value until INS sends final notification regarding immigration status. If the student appears to be an eligible noncitizen based upon the school's review of the documents, the school may pay the student any SFA funds for which he or she is eligible. If INS later notifies the school that the student's documentation isn't valid, the school must cancel further disbursements but isn't liable for the payments already made.

- **12. This document is not valid because it appears to be...:** This is checked when the documentation presented has expired or when an item appears to be counterfeit or altered (there are checkboxes used to indicate which of these apply). Notify the student that unless corrective action is taken with INS, the case will be submitted to the Office of Inspector General (OIG). Additional communication with INS will allow any unfortunate mistakes in the status-verifier's review to be corrected. Until this discrepancy is resolved, no further aid may be disbursed, awarded, or certified. If the student does not take corrective action in a timely manner, the case must be reported to the OIG.

The INS will initial and stamp the front of the G-845S in the signature block.

The comments block on the back of the G-845S provides further instructions. The intended meaning of each of the following blocks that may be checked follows:

- **13. No determination can be made from the information submitted.** Please obtain a copy of the original alien registration documentation and resubmit. This is normally checked when the school has failed to provide copies of any of the INS documents. The statement is often accompanied by a listing of acceptable forms of documentation. The school should resubmit the G-845S with copies of the original alien documentation.

- **14. No determination can be made without seeing both sides of the document submitted.** Resubmit the G-845S with copies of both sides of each document.

- **15. Copy of document is not readable.** Resubmit the G-845S with higher quality copies of the original alien documentation.

The comments listed under "Permanently Residing Under Color of Law" (PRUCOL) reflect information about aliens who have applied for special treatment (for example, by virtue of having life-threatening medical situations) that may cause the INS to refrain from seeking their expulsion. These blocks will be checked only if a request for evaluation for PRUCOL is made in Block 8 on the first page of the G-845S. Comments will rarely be made in this section because the school wouldn't have asked for a PRUCOL evaluation when submitting the G-845S. However, in all cases, the INS should check other responses on

Requirement for Procedures if Ineligibility Determined After Disbursement Cite
34 CFR 668.136(c)

the form as well, and these other responses should be used to determine the student's status.

Student rights

The student is permitted at least 30 days from the time the school receives the output document to provide documentation of his or her citizenship status. During this period and until the results of the Secondary Confirmation are received, a school can't deny, reduce, or terminate aid to a student. Disbursements can be made to an otherwise eligible student pending the INS response if at least 15 business days have passed since the date on which the documentation was submitted to the INS. (Of course, the general exclusions for inconsistent data being on file are applicable here.)

A school isn't liable for an error in its determination that a student is an eligible noncitizen if, in making that determination, the school had no conflicting data on file and it relied on

- an output document indicating that the student meets the requirements for federal student aid,
- an INS determination of an eligible immigration status in response to a request for Secondary Confirmation, or
- immigration status documents submitted by the student, if the INS did not respond in a timely fashion.

The student (or parent for PLUS borrowers) is liable for any SFA funds received if he or she is ineligible. If the school made its determination without having one of these types of documents, the school is held responsible for repaying SFA funds to the Department.

The school should establish procedures to ensure that if SFA funds are disbursed and the school later determines (using Secondary Confirmation) that the student isn't an eligible noncitizen, the student is provided with a notice of the determination, an opportunity to contest the determination, and notice of the school's final determination. The student can contest the determination by submitting to the school all additional documents that the student believes support his or her claims to be an eligible noncitizen. If the documents appear to support the student's claim, the school should submit them to INS using Secondary Confirmation. The school's final determination would be based on the Secondary Confirmation results.

For every student required to undergo Secondary Confirmation, the school is required to furnish written instructions providing

- an explanation of the documentation the student must submit as evidence of eligible noncitizen status. (The "Summary Chart of Acceptable Documentation" found on page 51 is acceptable);

- the institutional deadline for submitting documentation (which must be at least 30 days from the date the school receives the results of the Primary Confirmation) and notification that if the student misses the deadline, he or she may not receive SFA funds for the award period or period of enrollment; and

- an acknowledgment that no determination of the student's eligibility will be made until an opportunity to submit immigration status documents is provided.

School Secondary Confirmation Policies Requirements Cite
34 CFR 668.134

Eligibility of Citizens of Freely Associated States Cite
34 CFR 668.33(b)

CITIZENS OF THE FREELY ASSOCIATED STATES

The Compact of Free Association (P.L. 99-239) created three political entities from the former Trust Territory of the Pacific Islands. Two of these entities, the Marshall Islands and the Federated States of Micronesia, voted in 1986 to end political ties with the United States. The third entity, Palau, voted to ratify the compact in 1994; its independence was effective October 1, 1994. These three entities are the Freely Associated States. Citizens of the Freely Associated States are eligible for Pell Grants, FWS, and FSEOGs but are not eligible for loans.

Documenting Status

Students who are citizens of the Freely Associated States should answer the citizenship question on the FAFSA by indicating that they are eligible noncitizens and leave the item about the A-Number blank. (If the student doesn't have an SSN, he or she can leave that item blank as well.) Because the student isn't providing the A-Number, his or her application won't go through the INS match. As long as the student's file contains consistent information on his or her citizenship, the school isn't required to collect documentation.

Citizens of the Freely Associated States who file through EDExpress may indicate that they are eligible noncitizens, after which their state of legal residence will be confirmed. If they are determined to be residents of the Freely Associated States, they won't be required to provide an A-Number, and EDExpress won't reject their applications.

DOCUMENTING CITIZENSHIP STATUS IN LATER AWARD YEARS

There are several cases in which the school must verify a student's citizenship in a subsequent award year if that student again does not receive Primary Confirmation through the application process.

For example, a student who presented a Temporary Form I-551 in a prior award year should have received a permanent I-551 by the next year and shouldn't still have a temporary card. The school should refer the student to INS to obtain a permanent I-551 or an updated endorsement on the previous card. The documents should also be submitted to INS on a G-845S.

Exclusion from Subsequent Secondary Confirmation Cite
34 CFR 668.133(b)

Lack of Response Example
Mikko is a refugee, and received aid from Guerrero University for the 1999-2000 school year. His status wasn't confirmed through the INS match, so Guerrero had to perform Secondary Confirmation. The INS didn't respond in time, so Guerrero paid Mikko without any INS response. When Mikko applies for 2000-2001, the CPS still doesn't confirm his status. Because Guerrero didn't have an INS response for the previous year, it must perform Secondary Confirmation again, even though it went through the Secondary Confirmation process for Mikko last year and his documents haven't expired.

The school must also document the eligible noncitizen status each award year for a conditional permanent resident, a refugee, a Cuban-Haitian entrant, or a person granted asylum. Students in any of these categories may have been adjusted to permanent-resident status or may have had their statuses revoked. The school will have to perform Secondary Confirmation if the student's status isn't confirmed through the INS match.

The school doesn't have to perform Secondary Confirmation to document a student's eligible noncitizen status in subsequent award years if the school previously documented that the student is a U.S. citizen or national, is a citizen of the Freely Associated States, or has a Form I-551 or I-151.

In addition, the school isn't required to perform Secondary Confirmation if in a previous award year a school determined the student to be an eligible noncitizen through Secondary Confirmation and the documents used for that Secondary Confirmation haven't expired. The school must also have no conflicting information or reason to doubt the student's claim of having eligible noncitizen status. Also note that the school must have **confirmed the status** in a previous award year. (Although the school can disburse aid without the INS response if the INS doesn't respond in time, the school can't count that lack of response as confirmation for the following year.)

REPLACING LOST INS DOCUMENTS

If a student can't locate his or her official INS documentation, the student must request that the documents be replaced because immigrants are required to have in their possession documentation verifying their statuses. Requests for replacement documents should be made to the INS District Office that issued the original documents.

The student will be asked to complete a Form I-90, "Application to Replace Alien Registration Card" or a Form I-102, "Application for Replacement/Initial Nonimmigrant Arrival-Departure Document." PDF versions of these forms can be downloaded from the INS web site at < http://www.ins.usdoj.gov/forms/>. A temporary I-94 may be issued while the replacement documents are pending.

In cases of undue hardship, where the student urgently needs documentation of his or her status, the Freedom of Information (FOI) Act allows the student to obtain photocopies of the documents from the INS District Office that issued the original documents. The student can submit an INS Form G-639 to make this request or can simply send a letter to the district office. If the student is not sure which district office issued the original documents, he or she can submit the request to the FOI office in Washington, DC at

Freeedom of Information
425 I Street, N.W.
Room 5304
Washington, D.C. 20536

Summary Chart of Acceptable Documentation

As an alternative for a student who is having trouble obtaining replacement INS documents, the student may use a G-639 to request photocopies of the original documentation.

Citizen Not Born in United States

Certificate of Citizenship	Must have student's name, certificate number, and the date the certificate was issued.
Certificate of Naturalization	Must have student's name, certificate number, Alien Registration Number, name of the court (and date) where naturalization occurred.
"Certification of Birth Abroad" Form FS-545, DS-1350, or FS-240, "Report of Birth Abroad"	Must have embossed seal "United States of America" and "State Department."
U.S. Passport	

Noncitizen National

U.S. Passport	Must be stamped "Noncitizen National."

Permanent Resident

"Alien Registration Receipt Card" Form I-151, I-551, or I-551C	The I-551C must have a currently valid expiration date.
Passport	Must be stamped "Processed for I-551" with expiration date.
I-94	Must be stamped "Processed for I-551" with expiration date, or "Temporary Form I-551," with appropriate information filled in.

Other Eligible Citizen

"Arrival-Departure Record" Form I-94	Must be stamped as a Refugee, Asylum Status, Conditional Entrant (before April 1, 1980), Parolee, Cuban-Haitian Entrant.

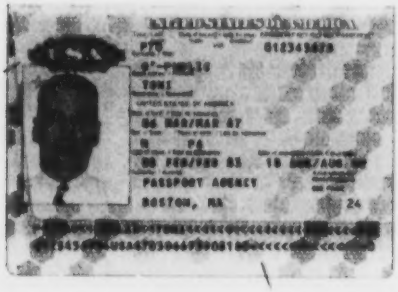
CITIZEN NOT BORN IN U.S./NONCITIZEN NATIONAL

U.S. Passport

Can be used to document citizenship for citizen born abroad.

For noncitizen national — must be stamped "Noncitizen National"

(Note that a passport issued by another country may be used to document permanent resident status, if it has the endorsement "Processed for I-551" and has a currently valid expiration date.)

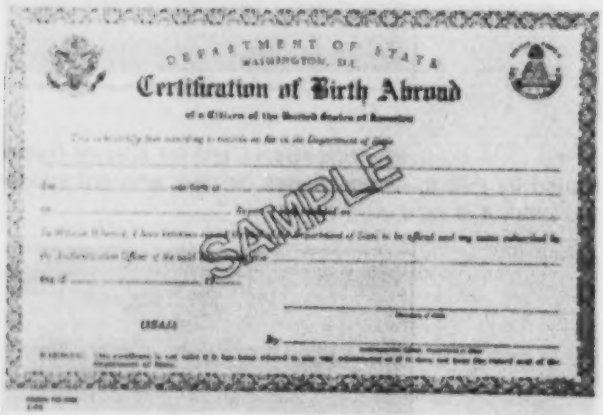


Certificate of Citizenship

The Certificate of Citizenship is issued to persons who were born abroad of U.S. parent(s); who became citizens when their parents were naturalized; or who were adopted by U.S. parents.

Certification of Birth Abroad

Issued to U.S. citizens born abroad. Must have embossed seal of the State Department.



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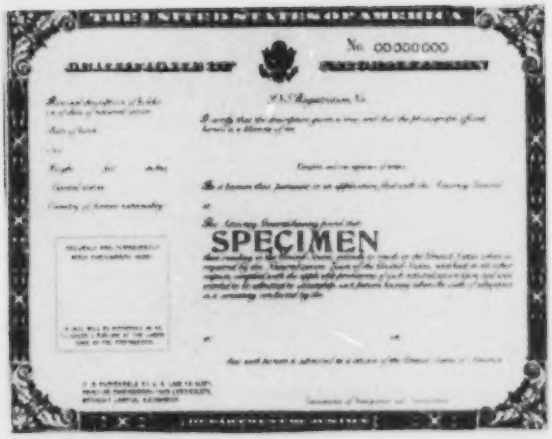
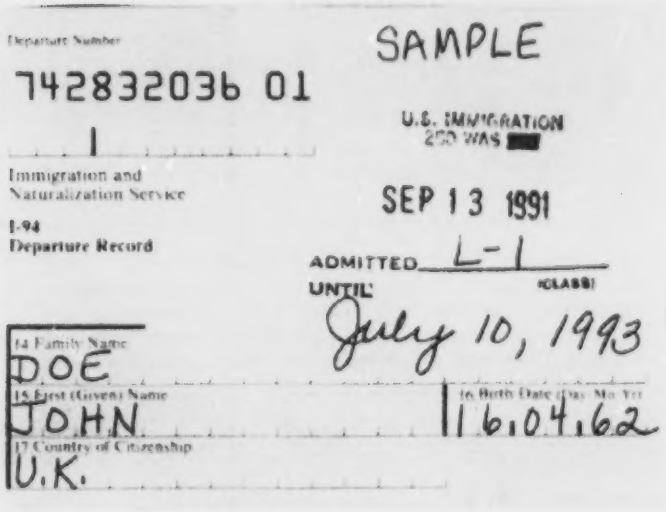
Certificate of Naturalization

The Certificate of Naturalization is issued to naturalized U.S. citizens.



A revised version of the Certificate of Naturalization is issued to citizens who file for naturalization after October 1, 1991.

PERMANENT RESIDENT/OTHER ELIGIBLE NONCITIZEN



I-94 Arrival-Departure Record

For permanent resident status—must be stamped "Processed for I-551" with expiration date, or "Temporary Form I-551," with appropriate information filled in.

For other eligible noncitizens—must be stamped as Refugee, Asylum Status, Conditional Entrant (before April 1, 1980), Parolee, Cuban-Haitian Entrant.

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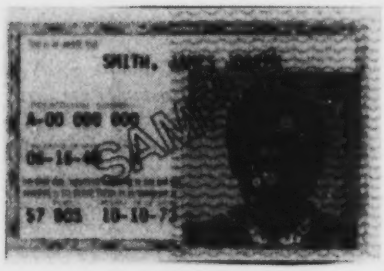
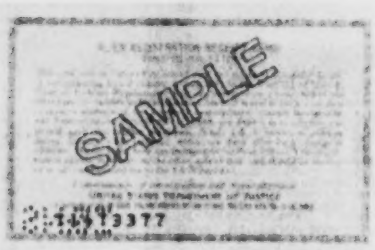
PERMANENT RESIDENT





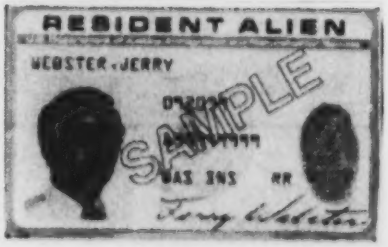
Alien Registration Receipt Card I-151

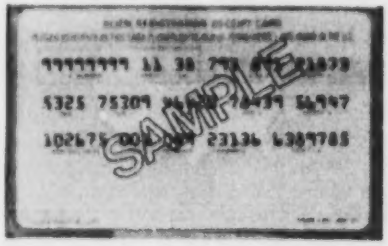
Issued prior to June 1978 to permanent residents. No longer issued, but valid indefinitely. Often referred to as a "green card," though it is not always green.

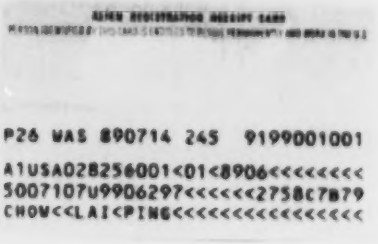
Alien Registration Receipt Card I-551 (Resident Alien Card)

Issued to permanent residents. The I-551 is a revised version of the I-151. Often referred to as a "green card," though it is not always green.

The "Conditional Resident Alien Card" is an I-551 that is issued to conditional permanent residents such as alien spouses. This card is identified by a "C" on the front, and has an expiration date on the back.







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Financial Aid History

CHAPTER 3

If the student has certain kinds of student aid problems, such as defaulted SFA loans or SFA grant overpayments, the student may be ineligible. The school needs information about the student's financial aid history to determine if the student has any aid problems and so is ineligible. In this chapter, we discuss the types of problems that make a student ineligible, and the primary method for providing financial aid histories, the National Student Loan Data System (NSLDS).

FEDERAL DEBTS THAT AFFECT ELIGIBILITY

A person generally isn't eligible for SFA funds if he or she is in default on an SFA loan or must repay an SFA grant overpayment. This ineligibility rule also applies to a parent seeking a PLUS Loan (through the FFEL or the Direct Loan program). For a parent to receive a PLUS Loan, neither the parent nor the student may be in default or owe an overpayment through the SFA Programs. (There are several exceptions to these general rules on defaults and overpayments, as noted in the discussion below.)

Any student applying for SFA funds must certify that he or she isn't in default on any SFA loan and doesn't owe an overpayment on any SFA grant or loan, or that he or she has made satisfactory arrangements to repay the overpayment or default. This certification statement is printed on the FAFSA.

A student is also ineligible if he or she has exceeded annual or aggregate loan limits. A student who inadvertently exceeded the limits can regain eligibility if he or she repays the extra amount borrowed, or makes arrangements to repay (see "Loan Limits," page 58).

Finally, for a student to be eligible, his or her property must not be subject to a judgment lien for a debt owed to the United States. For example, if the Internal Revenue Service (IRS) had placed a lien on a student's property, the failure to pay this debt or make satisfactory arrangements for repayment would make the student ineligible for SFA funds. A parent can't receive a PLUS Loan if either the student or the parent has property subject to a judgment lien for a debt owed to the United States.

The Department performs a match against its National Student Loan Data System (NSLDS) database to check on whether the student is in default or owes a repayment. A school can also determine from NSLDS whether a student has exceeded the loan limits. The Department doesn't perform any matches to determine whether or not the student is subject to a judgment lien for a federal debt, and the

Federal Debt Cites

Sec. 484(a)(3), 484(f), 34 CFR 668.32(g), 668.35

Judgment Lien Example

Bennet College collects tax returns from all its aid applicants. When Charlotte provides her parents' tax return, the FAA at Bennet notices that they've reported business income, but didn't report a business asset on the FAFSA. Charlotte explains to the FAA that they didn't report the business as an asset because there's a lien against the business for a federal loan. The FAA tells her that the asset must still be reported (see Chapter 6 of this publication for more on reporting assets), and also that her parents won't be able to borrow a PLUS Loan as long as they are subject to the lien.

Ineligibility Due to Default Cites
Sec. 484(a)(3), 34 CFR 668.32(g)(1)

SFA Loans
Federal Perkins Loans (including NDSL), FISLs, Federal Stafford Loans, Federal Direct Loans, Federal SLS, Income Contingent Loans (ICL), Federal Consolidation Loans, Federal Direct Consolidation Loans, Federal PLUS Loans and Federal Direct PLUS Loans.

Additional Ways of Reestablishing Eligibility for Perkins
Reauthorization added a provision to the Perkins Program that reestablishes the borrower's eligibility for Perkins if the borrower meets any of the conditions that would remove his or her Perkins Loan from the cohort default rate. This provision only allows the borrower to regain eligibility for Perkins, not the other SFA programs. See the Campus-Based Programs Reference.

Documenting Paid in Full Example
Eddy had a Stafford Loan as an undergraduate that went into default while he was out of school. When he applies for financial aid so he can go to graduate school, his ISIR shows that the loan is still in default. Eddy tells the FAA at Guerrero University that he paid off the loan last year. Guerrero asks him to bring in a letter from the guaranty agency saying that the loan's been paid. Eddy brings in the letter, and Guerrero keeps it in his file as documentation of his eligibility. The FAA also advises Eddy that he should ask the guaranty agency to update his status in NSLDS.

Satisfactory Repayment Arrangement Cites
Sec. 428F(b), 464(h)(2); 34 CFR 668.35(a)(2), 674.5(e), 682.200(b), 685.102(b)

school isn't required to check for such liens. However, if the school knows that the student is subject to such a lien, it can't pay SFA funds to the student.

Default

A student who's in default on an SFA loan can't receive further SFA aid until he or she resolves the default. The student can resolve the default in a number of ways.

Repayment in full

A student can resolve a default by repaying the loan in full, and is then eligible again for SFA funds. If the student and the loan holder agree on a compromised amount for settling a loan and the student repays the amount agreed upon, that counts as paying the loan in full. However, if the loan holder simply writes off the loan, the loan isn't paid in full, and the student is still ineligible for SFA funds.

The student regains eligibility whether repayment was completed voluntarily or involuntarily (that is, through IRS offset or wage garnishment). Although a student who has repaid his or her defaulted loan in full is eligible for aid, the school can still consider the default to be evidence of a student's unwillingness to repay loans and deny the student future Perkins Loans (see the Campus-Based Programs Reference).

If a student's paid a defaulted loan in full but receives an output document with a comment showing that he or she is ineligible because of the default, the student must give the school documentation proving that the loan has been paid in full.

Satisfactory repayment arrangements

A student in default on an SFA loan can be eligible for SFA aid if he or she has made satisfactory repayment arrangements with the loan holder. The student must make arrangements that are satisfactory to the loan holder and in accordance with the individual SFA loan program regulations (see the Campus-Based Programs Reference and the Direct Loan and FFEL Programs Reference). After the student makes six consecutive, full, voluntary payments on time, he or she regains eligibility for SFA funds.

Before a school can pay the student, it must have documentation that the student has made satisfactory repayment arrangements. For example, the lender may update the code for the loan in NSLDS to DX once six payments have been made; the school could then use the NSLDS information as confirmation of the repayment arrangement. The school may also use a written statement from the loan holder indicating that the student has made satisfactory repayment arrangements as documentation of the arrangement. See "Change of Status" in the Introduction for a discussion of what happens if the student becomes eligible during the school year.

Effect of Loan Status on Student Aid Eligibility

NSLDS CODES (in alphabetical order)		*LOAN STATUS*
BC	No default, bankruptcy discharge	Canceled or discharged
BK	No prior default, active bankruptcy claim	No default, bankruptcy
CA	Canceled	Canceled or discharged
DA	Deferred	In school, grace period
DB	Defaulted, active bankruptcy claim	Default, bankruptcy filing
DC	Defaulted, compromised	Default, compromise
DF	Default, false certification discharge	Canceled or discharged
DG	Default, false certification (ability to benefit) discharge	Canceled or discharged
DI	Disability	Canceled or discharged
DJ	Default, discharged by judicial ruling	Canceled or discharged
DK	Default, bankruptcy discharge	Canceled or discharged
DL	Defaulted, in litigation	Default
DN	Default, closed school discharge	Canceled or discharged
DO	Defaulted, active bankruptcy claim	Default, bankruptcy filing
DP	Default, then paid in full	Paid
DS	Default, disability cancellation	Canceled or discharged
DT	Defaulted, collection terminated	Default
DU	Defaulted, unresolved	Default
DW	Defaulted, write-off	Default, written-off
DX	Defaulted, satisfactory arrangements, and six consecutive payments	Default, satisfactory repayment arrangement
EA	False certification (ability to benefit) discharge	Canceled or discharged
EC	Closed school discharge	Canceled or discharged
EF	Loan discharged for fraudulent disbursement	Canceled or discharged
EJ	Court ordered write-off	Canceled or discharged
FB	Forbearance	In school, grace period
ID	In school or grace period	In school, grace period
OD	Default, bankruptcy discharge	Canceled or discharged
PC	Paid in full through consolidation	Paid
PF	Paid in full	Paid
RP	In repayment	In school, grace period
UI	Uninsured, Unreinsured	Lost guarantee

	LOAN STATUS	*Eligible for SFA Funds**
YES	In school, grace period	
YES	Paid	For consolidation, it does not matter what type of consolidation loan the borrower received, nor whether the oan was in default before consolidation.
YES	Lost guarantee	It does not matter if the loan was in default.
YES	Canceled or discharged	For a borrower who had a disability cancellation to receive new loans, the borrower must have a doctor's certification that his or her condition has improved and sign a statement indicating that he or she is aware that the new loan cannot be canceled.
YES	No default, bankruptcy filing	Loan was not in default and has not been discharged.
YES	Default, compromise	Compromise is recognized as payment in full.
YES	Default, satisfactory repayment	If borrower continues to comply with repayment plan or is granted forbearance.
NO	Default, bankruptcy filing	Unless debtor can show that loan is dischargeable.
NO	Default, written-off	Unless debtor reaffirms loan and makes satisfactory repayment arrangements or repays loan in full.
NO	Default	

*Federal Perkins Loan regulations allow the financial aid administrator to deny eligibility for additional loans if he or she has evidence that the applicant is unwilling to repay the loan.

Rehabilitation Cite

Sec. 428F(a), 464(h)(1); 34 CFR 674.5(f), 682.405, 685.211(e)

Rehabilitation Example

Eric continues making payments on his defaulted loan, and finally makes the 12 payments required for rehabilitation. His original lender isn't handling student loans anymore, so the guarantor finds another lender to purchase the loan. It takes the guarantor 3 months to arrange the purchase, and Eric needs to keep making the agreed on payments on time. Once the new lender has the rehabilitated loan, Eric can apply for an in-school deferment.

Loan Limits and Eligibility Cites

Sec. 484(f), 34 CFR 668.32(g)(2), 668.35(b)

Repayment Arrangements Satisfactory to the Holder

For defaulted loans, the law and regulations specify what a satisfactory repayment agreement is. For students who have exceeded loan payments or owe an overpayment, the law and regulations don't say anything about what makes a repayment agreement satisfactory. The loan holder (for loan limits) or school (for overpayments) has complete discretion to determine whether the repayment arrangement is satisfactory.

Rehabilitation

Although a student can regain eligibility for all SFA funds after making satisfactory repayment arrangements, the loan is still in default. After the student makes more payments, the loan may be rehabilitated (that is, it won't be in default any more), and the student has all the normal loan benefits, such as deferments. A student with a FFEL has to make 12 consecutive, full, voluntary payments on time before the loan can be rehabilitated. After the 12 payments have been made, the guarantor can arrange to have the loan purchased by a lender; the loan will then be rehabilitated. A defaulted Direct Loan is automatically rehabilitated after 12 consecutive, full, voluntary payments have been made on time. (See the Direct Loan and FFEL Programs Reference.) A Perkins Loan or an NDSL will be rehabilitated after the borrower executes a new written repayment agreement and makes one payment for each month for 12 consecutive months. (See the Campus-Based Programs Reference.)

Loan Limits

As mentioned previously, a student's ineligible for SFA funds if he or she has exceeded annual or aggregate loan limits. If the student **inadvertently** exceeded the limits, he or she can receive SFA funds if he or she repays the extra loan amount in full or makes repayment arrangements that are satisfactory to the loan holder. The borrower will remain ineligible for further SFA funds until one of these conditions is met.

Because a school should have verified compliance before a loan is disbursed to the student, excess borrowing shouldn't occur often. Excess borrowing might occur

- if a student borrowed for attendance at multiple schools and a school didn't receive financial aid transcripts or updated NSLDS history data before disbursing a Perkins Loan, certifying a FFEL, or originating a Direct Loan; or
- if the student used different names or SSNs when borrowing.

See the Campus-Based Programs Reference for Perkins Loan limits and the Direct Loan and FFEL Programs Reference for Direct Loan and FFEL limits.

The student's total outstanding loan balance, as well as the most recent loans, are listed in the Financial Aid History section of the output document. Schools can use this information to make sure students don't exceed loan limits. A comment will be on the output document if the student appears to have exceeded aggregate loan limits or is within one annual loan of exceeding the aggregate loan limit. If the student appears to have exceeded aggregate limits, the output document will also have a C code.

Overpayments

If a student receives a Pell overpayment, he or she can continue to receive SFA funds if the overpayment can be eliminated by reducing the subsequent Pell payments for the same award year. A student who receives an overpayment through the FSEOG, LEAP, or Perkins Loan program[4] can continue to receive SFA funds if the overpayment can be eliminated by adjusting subsequent financial aid payments (other than Pell) within the same award year.

Overpayment due to school error

The school is liable for overpayments that result from school error, such as those in the following list:

- The school made an interim disbursement before verification was complete (see Chapter 8 for information on the verification process).
- The school had conflicting documentation when the award was made (regardless of when the conflict was discovered).
- The school made an incorrect calculation of a student's eligibility for aid.

If the overpayment was the result of the school's error and the school can't eliminate the overpayment in the same award year, the school must repay the overpayment; the student is then not considered to owe an overpayment and may receive SFA funds.

Interim disbursements

If the overpayment is the result of an interim disbursement, the school can also continue to pay SFA funds to the student if the student repays the overpayment in full or makes repayment arrangements satisfactory to the school. If the student won't repay the overpayment, the school must repay the overpayment from its own funds within 60 days following the student's last day of enrollment or by the last day of the award year, whichever comes first. Again, once the school satisfies the overpayment, the student regains eligibility.

Overpayment due to student error

If a student's error caused the overpayment, the student is responsible for repaying the overpayment. If the overpayment can't be eliminated by adjusting later disbursements in the award year, the student can't receive additional SFA funds until he or she repays the overpayment in full or makes repayment arrangements that are satisfactory to the school. If the student won't agree to repay, the school isn't liable for the overpayment, but must make a reasonable effort to contact the student and collect the overpayment. In the case

Overpayments and Eligibility Cites

Sec. 484(a)(3), 34 CFR 668.22(h), 668.32(g)(4), 668.35(c), (e)

Overpayment

An overpayment is the amount of SFA funds a student received that's more than the amount the student was eligible for. For example, if the student received a $3,125 Pell, but the school later discovers that the student's EFC was incorrect and the student should only have received $1,675, then the student has a $1,450 Pell overpayment.

Overpayment School Error Examples

Allen received a Pell at Sarven Technical Institute. Although Sarven had the correct EFC on Allen's ISIR, a different EFC was used in the Pell calculation, so Allen received too much money. Because the overpayment is due to a school error, Sarven is liable for the overpayment.

Owen received an outside scholarship to attend Guerrero University. The bursar's office was notified of the scholarship so that it would apply the payments properly, but didn't notify the financial aid office. Owen received a Perkins Loan, but the financial aid office didn't take the scholarship into account when awarding the loan, because it didn't know about the scholarship. When the financial aid office later finds out about the scholarship, it discovers that Owen received too much aid, and has a $600 Perkins overpayment. Because the school had information about the scholarship (even though the financial aid office didn't), the overpayment is due to a school error.

Overpayment due to Interim Disbursement Cite

34 CFR 668.61(a)

[4] For all campus-based programs, if the student's total resources exceed his or her need by no more than $300 in excess of the amount for which he or she was eligible, this isn't considered an overpayment as long as it resulted from additional resources becoming available. If it results from school error (rather than additional resources becoming available), it is an overpayment and must be dealt with as discussed in this chapter. For more information, see Chapter 10 of this publication and the Campus-Based Programs Reference.

Overpayment Student Error Examples

When Chavo applied, he didn't have his W-2 forms, so he estimated his income and said that he wasn't going to file a tax return. After he received his aid from Sarven Technical Institute in June, he told the FAA that he'd underestimated his income, and had had to file a tax return. When Chavo submitted the corrections, his EFC was increased, and Sarven determined that he'd received a Pell overpayment. Sarven canceled his second Pell disbursement, but he still owed $100. Sarven allowed Chavo to make a repayment agreement to repay $25 a month for four months so that he'd still be eligible for other aid for the rest of the year.

Meurig has to report financial information about his father on the application, although he's living with his stepfather. On the 2000-2001 application, he doesn't report any assets for his father, and Brust Conservatory uses the information from that application to award SFA aid. However, his 2001-2002 application is selected for verification, and during the verification process Brust discovers that Meurig's father has a business that should have been reported as an asset. Brust asks for tax information for the previous year, and determines that Meurig should also have reported the business as an asset on the 2000-2001 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2000-2001 award year. Because he's already received all his aid for the year, he has to either pay the overpayment or make a repayment agreement.

Reporting Overpayments to NSLDS Cite

"Dear Colleague" Letter GEN-98-14, July 1998

Electronic Requirements Cites

September 19, 1997 Federal Register notice, "Dear Colleague" Letter GEN-97-11, October 1997

of an FSEOG overpayment, the school must promptly attempt to recover the overpayment by sending a written notice requesting payment in full to the student.

If the student is responsible for repaying the overpayment, the school may, if it chooses, make the repayment for the student (that is, the school can return to the program accounts the amount overpaid to the student). When a school makes such a repayment on the student's behalf, the student is no longer considered to owe an overpayment. Instead, the student owes an institutional debt that the school can collect according to its own procedures. Because the student doesn't owe an overpayment, he or she is eligible for SFA funds as long as all other eligibility criteria are met.

Reporting overpayments to NSDLS

Starting in July 1998, schools could report overpayments to NSLDS. Schools must report overpayments or changes to previously submitted information within 30 days of the date it learns of the overpayment or change.

Schools only report unresolved overpayments if they're due to student error; overpayments which are a result of school error aren't reported (instead, as discussed previously, the school must repay the overpayment). Also, if the school has paid the overpayment for the student as described above, the overpayment isn't reported to NSLDS, because it's no longer considered an SFA overpayment.

Schools must use the on-line NSLDS screens to report overpayments, which means they need on-line access to NSLDS. The September 19, 1997 electronic requirements notice stated that schools had to have on-line access by January 1, 1998. For information on entering overpayment data, see Chapter 7 of *The NSLDS: The Paperless Link: Computer Assisted Training Guide*. This publication is available on the IFAP web site <http://ifap.ed.gov>, or schools can call 1-800-999-8219 to ask for a copy.

After the information is reported to NSLDS, the student's future output documents will show that he or she has an overpayment (see "NSLDS Match," page 64). The Financial Aid History section will have information on the overpayment, including whether the student has made repayment arrangements.

Referral of overpayment cases

As mentioned previously, the school must try to collect from its students overpayments that haven't been repaid. If a school can't recover a Pell or FSEOG overpayment for which the student is liable, the school must refer the overpayment to the Department for collection. (See the Pell Reference and the Campus-Based Programs Reference for more information.) The school must make this referral in addition to the earlier reporting of the overpayment to NSLDS.

If the school can't collect a Pell overpayment, it can refer the overpayment to DCS if the amount owed is at least $25. It can also refer an FSEOG overpayment to DCS as long as the federal share of that overpayment is at least $25. If the school chooses not to refer such overpayment cases to DCS, the school is liable for the overpayments and must repay the appropriate program funds from school funds. If the federal share of an FSEOG overpayment is less than $25, and the school can't collect from the student, the school isn't required to take further action.

School Resolves Student Concerns Before Referral

If a student claims that a school's FSEOG overpayment determination is erroneous, the school must consider any information the student provides and determine whether the objection is warranted before referring the case to DCS.

To refer a Pell or FSEOG overpayment case to DCS, the school must provide all information necessary for collection on the case. Each referral must be typed and submitted on the school's letterhead and should follow the format given on page 62. In addition, when the school refers the overpayment, it should update the overpayment information previously reported to NSLDS by changing the Source field from SCH to TRF (see *The NSLDS: The Paperless Link: Computer Assisted Training Guide*).

Remember that even if the amount owed is less than $25, it's still an overpayment, and the student will continue to be ineligible for federal student aid funds at any school until the amount is repaid or until satisfactory repayment arrangements are made. The school should use all available means to recover the overpayment from the student, in accordance with the school's standard policies and procedures, for as long as the school believes is reasonable.

School responsibility

After referring an overpayment case, the school can't make further federal student aid payments to the student until it's received notice from the Department. In addition, it may be required to provide any relevant documentation it has.

Once the school receives confirmation from the Department that the referred account has been accepted, it has no responsibility in the collection of the debt unless the student contacts the school to make repayment. If the student tells the school that he or she wishes to make repayment, the school should accept payment on behalf of the Department and forward the payment to:

U.S. Department of Education
Debt Collection Service
P.O. Box 4169
Greenville, Texas 75403-4169

The school should put the student's name and SSN on the check. If the check covers more than one student, the school should list each student's name, each SSN, and each payment amount.

Overpayment Referral Format

In referring overpayment accounts to ED, the institution must provide all the information listed. Also, each referral *must be* typed and submitted on institutional letterhead.

PART 1. Student Information

Name: Social Security Number(s): Date of Birth:
Address(es): Telephone Number(s):

PART 2. Parent/Spouse Information

Name(s): Social Security Number(s):
Address(es): Telephone Number(s):

PART 3. Disbursements and Repayments

1. Name of aid program: _____
2. Total amounts disbursed: $_____
   a. Amount credited to tuition account: $_____
   b. Amount disbursed in hand: $_____
3. Dates of disbursement(s): _____ _____
4. Costs incurred by student: $_____
5. Amount determined to be owed: $_____
6. Total amount of debt repaid to institution: $_____
7. Date of last payment to institution, if any: _____
8. Total amount being referred: $_____
   (For FSEOG, provide federal share amount only)

PART 4. Other Required Information

Award Year of Overpayment:
Student Education Costs:
Name and Telephone Number of Institutional Contact:
Pell Identification Number of Institution:

PART 5. Detailed Explanation of Reason for Overpayment

Provide a detailed explanation of the reason for the overpayment. Each account reported to ED *must* contain this explanation.

FORWARD THE REFERRAL INFORMATION TO:

U.S. Department of Education
Student Financial Assistance Programs
c/o Student Loan Processing Center
Program Overpayments
P.O. Box 4157
Greenville, Texas 75403

If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact DCS at 1-800-621-3115 or DCS_HELP@ed.gov.

Departmental responsibility

Upon receipt of an overpayment referral, the Department will determine if enough information has been provided to start collection activity; any referral lacking information will be returned to the school. If the referral information is complete, the school will receive a letter confirming receipt and acceptance of the overpayment referral.

DCS will then start collection activity (letters and telephone contacts) to try and establish a repayment schedule or secure payment in full. DCS will also update the NSLDS information the school already reported to show that DCS now holds the overpayment. The student's output document will still show that he or she owes an overpayment, but will now direct the student to contact DCS instead of the school.

Other Loan Problems

A student who has filed bankruptcy or had a loan discharged for disability might need to provide some additional documentation before receiving aid.

Bankruptcy

A student with an SFA loan discharged in bankruptcy is eligible for SFA grants, work-study, and loans. A borrower doesn't have to reaffirm a loan discharged in bankruptcy in order to be eligible. The Bankruptcy Reform Act of 1994 prohibits denial of aid based solely on a bankruptcy discharge.

A borrower who listed a dischargeable SFA debt in a bankruptcy filing is also eligible for further federal student aid before the debt is actually discharged. The borrower must provide documentation to the school from the holder of the debt stating that the debt is dischargeable.

In addition, if a student includes a non-defaulted SFA loan in a bankruptcy claim, so that collection on the loan is stayed, the student remains eligible for SFA funds as long as he or she has no loans in default (including the stayed loan) and as long as all other eligibility requirements are met. For more information on loan status and eligibility, see the chart on 57.

Total and permanent disability cancellation

A borrower whose loan is canceled because of total and permanent disability may later receive any type of SFA funds if he or she meets all other eligibility requirements. If such a borrower wishes to take out an SFA loan, he or she must obtain certification from a legally licensed physician stating that the student's condition has improved and that

Successful Match Results Flag and Match Flags
Results Flag: 1, Match Flags: 1, 2, 3, 4

Partial Match Results Flag and Match Flag
Results Flag: 2, Match Flag: 7

Partial Match Comment Code
138

Incorrect Information on Application Example
When Sarven Technical Institute receives Tod's ISIR, it shows that there was a discrepancy with the NSLDS database, and so no financial aid history information is provided. The FAA asks Tod if he provided the correct name and birth date on the application. Tod says he wrote in the wrong month for his birth date, but his name is correct. The FAA checks the NSLDS database using Tod's SSN. NSLDS shows the correct birth date, but the first name of the student is Warren, not Tod. Sarven checks again with Tod, and this time he explains that Tod is a nickname, and Warren is his real name. Sarven determines that the financial aid history associated with the SSN belongs to Tod. It could disburse aid without requiring a correction, but Tod has other corrections to make, so Sarven will wait for the correction before disbursing aid.

the student 1) has the ability to engage in substantial gainful activity or 2) can attend school. Then the student must sign a statement indicating that he or she is aware that his or her new SFA loan can't later be canceled on the basis of any present impairment unless that condition substantially deteriorates to the extent that the definition of total and permanent disability is again met. The borrower isn't required to obtain a physician's certification or to sign the statement if he or she is applying for an SFA grant or work-study only.

NSLDS MATCH

To help schools determine if a student has problems such as defaulted loans, overpayments, or exceeded loan limits, the CPS matches the student's application with the NSLDS database. Remember that a school is responsible for reconciling all information it receives about a student before disbursing aid (see the Introduction). Therefore, schools must resolve any conflicts between the NSLDS information and information received from the student. For example, if the NSLDS shows that a student isn't in default but the school has documentation showing that the student is in default, the school must resolve this conflict before disbursing federal student aid.

A student's application information is matched against the NSLDS database, and the results of this match are provided on output documents on the NSLDS Financial Aid History page and in the FAA Information Section. As is the case for other matches, a "C" next to the student's EFC indicates problems that must be resolved. The school must resolve these eligibility problems before disbursing aid.

Successful Match

An output document will contain the NSLDS financial aid history information only if the student's identifying information matches the database and there is relevant information for the student in the database. The financial aid history won't be provided on a rejected application. If the student has no defaults or overpayments, or has made satisfactory repayment arrangements on a defaulted loan, the NSLDS match flag will be 1 and no C code will be on the output document. A match flag of 2, 3, or 4 indicates that the student has defaulted loans or owes an overpayment. The school will then need to resolve the problem before disbursing aid, as described previously.

No Data from Match

There are several reasons why a student's output document won't have financial aid history information. As already mentioned, the financial aid history isn't provided on a rejected application. For the other cases, the school can check the NSLDS flags reported in the FAA Information Section to determine why there's no NSLDS financial aid history.

Partial match

If the student's SSN is in the NSLDS database, but the first name and date of birth don't match what the student reported, then no financial aid history will be reported, and the output document will

have a C code. The output document will have a comment explaining that the financial aid history isn't provided because the name and date of birth do not match, and directing the student to work with the school to resolve any discrepancies. A partial match **requires resolution**, as explained in the following paragraph; otherwise the school won't have information from the Department on defaults and overpayments.

If the student originally reported incorrect information, the school can have the student submit correct information; the student's information will then be sent through the match again. The school can also access NSLDS directly using the reported SSN to determine if the NSLDS record belongs to the student. The school determines whether the NSLDS record is the student's by considering whether other information it has about the student is consistent with the NSLDS data. For example, if the name reported on the application is a nickname and the name in NSLDS is the actual name, the school should determine that the record is the student's and use the NSLDS data in determining the student's eligibility. Or if the school knows that the student attended a particular school in a particular award year, and NSLDS shows aid received at the school in that year, the school may assume that the record belongs to the student. If the school discovers the discrepancy is due to the student misreporting the name or date of birth on the application, it should have the student make a correction. However, the school may use the NSLDS record to determine the student's eligibility; it doesn't need to wait for the corrected data to be reported.

If the school determines that the financial aid history associated with the student's SSN doesn't belong to the student, it should assume that the student has no relevant financial aid information. The school (or the student) may also contact the agency that reported someone else's data using the student's SSN, but isn't required to do so. See "Dear Colleague" Letter GEN-96-13 for further discussion.

Student not in database

If a match with NSLDS is completed but there's no information on the student in the database, then no financial aid history information can be provided. The output document will have a comment explaining that the student's SSN is not associated with any previous financial aid history. The school can thus assume that the student has no financial aid history unless it has conflicting information.

No relevant history

If a student's SSN matches a record in the NSLDS database but there's no relevant financial aid history information to report, then no information will be on the output document. For example, no data would be reported if the only information for a student was for a Pell received in the previous year, because that information isn't needed to determine the student's eligibility for aid for the current year. The student will receive a comment explaining that his or her record was matched with NSLDS, but no information was found to print on the NSLDS page.

Incorrect NSLDS Data Example

Lydia is a first year undergraduate at Bennet College, and has never attended college before. When Bennet receives Lydia's ISIR, it shows that there was a partial match, and there's some data associated with her SSN. Bennet checks NSLDS directly, and it shows that a lender is reporting a loan made ten years ago (when Lydia was in elementary school) under her SSN, but with a completely different name and birth date. Bennet determines that this isn't Lydia's loan, and so she has no financial aid history in NSLDS. Bennet also suggests to Lydia that she should contact the lender and ask them to correct the NSLDS data, so it doesn't cause problems for her later on.

Not in Database Results Flag and Match Flag

Results Flag: 3, Match Flag: 1

Not in Database Comment Code

140

No Relevant History Results Flag and Match Flag

Results Flag: 4, Match Flag: 1

No Relevant History Comment Code

137

Processing Problem Results Flag and Match Flag
Results Flag: blank, Match Flag: 8

Processing Problem Comment Code
131

Processing problem

If there was a problem with the match, no financial aid history information will be on the output document, and it will have a C code. The output document will also have a comment explaining that the CPS couldn't determine whether the student has loans in default, and directing the student to contact the FAA. The school must get the student's financial aid history before disbursing aid. If the student has to make corrections, the application will go through the match again when the corrections are submitted, and the FAA can use the results of that match to determine the student's eligibility. The student or school can also request a duplicate output document. The application will go through the match again when the duplicate is requested, so the school might get match results the second time. Finally, the school can instead request paper financial aid transcripts from all the schools the student previously attended.

Changes after Initial Match

Once the school has received the financial aid history through NSLDS, it isn't required to check for changes to the data before it disburses or delivers funds to the student. However, if the school learns (from NSLDS or another source) that the student wasn't eligible or is no longer eligible, it must not deliver or disburse any more SFA funds and must help make sure the student arranges to repay the aid that he or she wasn't eligible for.

The Department has a postscreening process to notify schools when there are significant changes to a student's NSLDS data. Under postscreening, the CPS generates new output documents when the student's eligibility may have changed due to a change in NSLDS data, so that schools that are listed in the student's application information will automatically be notified. Items that have changed since the last transaction are also marked on the output document with a "#" sign.

To help schools identify when they have received an output document with changed NSLDS data, the Department provides the NSLDS Transaction Number. This number can be found in the FAA Information Section with the other match flags. The NSLDS Transaction Number is the number of the last transaction on which the NSLDS data changed. If a school receives an output document with an NSLDS Transaction Number later than the one on the output document the school used to determine the student's eligibility, the school should review the NSLDS data on the new document to be sure there are no changes affecting the student's eligibility. Note that if a student or school requests a duplicate output document, the request is also sent to NSLDS for matching. If the NSLDS data have changed, the request will be treated as a system-generated correction, and both the output document transaction number and the NSLDS Transaction number will be updated.

NSLDS Match

Result	*Results flag*	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Student not in default, does not owe overpayment	1 NSLDS data sent	1		No comment	None
SSN is in database, but neither the first name nor date of birth matched	2	7	C code	138 We matched your social security number (SSN) with the National Student Loan Data System (NSLDS), but neither name nor date of birth on the NSLDS record match the information on your student aid application. Therefore this SAR does not contain the financial aid history that is associated with your reported SSN. You should review your name, SSN, and date of birth and work with your FAA to resolve discrepancies.	If the student originally reported incorrect information, he or she should make a correction. The application will be sent through the match again, and the school should check the new output document for the results. Otherwise, the school can access the NSLDS directly to determine if the record belongs to the student (see "Partial match," page 64). If the record does belong to the student, the school must use the NSLDS data in determining the student's eligibility. If the record is not the student's, the school should assume that the student has no relevant financial aid history; it may also want to contact the agency that provided the information.
Student is not in the NSLDS data file	3	1		140 Your application record was compared with the National Student Loan Data System (NSLDS). The NSLDS confirmed that your social security number is not associated with any previous financial aid history.	None
Student is in the NSLDS data file, but there is no relevant data to print	4	1		137 Your application record was compared with the National Student Loan Data System (NSLDS). However, no financial aid history information was found for printing on your SAR.	None

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NSLDS Match (continued)

Result	*Results flag*	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Student has at least one loan in default	1 NSLDS data sent	2	C code	132 Our records indicate that you are in DEFAULT on a Federal student loan. You are not eligible to receive any Federal student aid until your account has been resolved.	The output document will also have comments indicating who holds the loan, unless the loan is a Perkins Loan. The school code of the school holding a defaulted Perkins Loan will be on the NSLDS Information page. The student must resolve the default before he or she can receive aid (see "Default," page 56.)
Student owes at least one overpayment	1 NSLDS data sent	3	C code	133 Our records indicate that you received at least one overpayment of Federal student aid funds. You are required by law to repay any funds received from the Federal student aid programs to which you were not entitled. Until your overpayment has been resolved, you are ineligible to receive any Federal student assistance.	If the Department holds the overpayment, the output document will also have a comment identifying the appropriate regional office. The NSLDS Financial Aid History page lists codes for the holders of overpayments. The school can also access NSLDS directly to determine the holder of a Perkins overpayment. The student must resolve the overpayment before he or she can receive aid (see "Overpayments," page 59.)
Student has at least one defaulted loan and owes at least one overpayment	1 NSLDS data sent	4	C code	134 Our records indicate that you are in DEFAULT on at least one Federal student loan and that you received at least one overpayment of Federal student aid funds. You are not eligible to receive any Federal student aid until your accounts have been resolved.	See the required actions for default and overpayment above.

NSLDS Match (continued)

Result	*Results flag*	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Match not conducted due to processing problems		8	C code	131 To receive Federal student aid, you cannot be in default on any U.S. Department of Education student loan. Because of processing problems we were unable to determine whether you are in default on a loan. Contact your FAA for more information.	If any corrections are made, the student's information will be rematched with NSLDS. In addition, if the student or school requests a duplicate output document, the application information will be rematched with NSLDS. In either case, the school should check the new output document for match results. Otherwise, the school must get a paper FAT from any previous schools.

FINANCIAL AID HISTORY

Before disbursing or delivering SFA funds, a school must receive a financial aid history for a student who has received aid at another school. The financial aid history is used to prevent a student from receiving any SFA aid if he or she is in default or owes a repayment on an SFA grant or loan, or from exceeding SFA program limits.

In the past, a school had to get a student's financial aid history by requesting a paper financial aid transcript (FAT) from the previous schools the student attended. Since 1996, schools have also been able to get student financial aid histories through NSLDS.

Although schools are strongly encouraged to use NSLDS for financial aid histories, they aren't required to do so. Schools may still request a student's financial aid history through a paper FAT, and a school that receives a request for a paper FAT must still complete and return the FAT to the requesting school. There are no changes to the requirements for requesting or receiving a paper FAT. A school can withhold academic transcripts from students who are in default or owe an overpayment if it wishes, but it must release financial aid transcripts or financial aid history information at the request of the student or another school.

Although the use of NSLDS for financial aid histories is optional, as of January 1, 1998 schools are required to have on-line access to NSLDS for other purposes.

Financial Aid History Cite

34 CFR 668.19

NSLDS for Financial Aid History Cites

"Dear Colleague" Letter GEN 96-13; September 16, 1996 Federal Register notice

NSLDS for Financial Aid History

There are four ways for a school to get financial aid history information from NSLDS. The school can

- use the NSLDS Financial Aid History section of the output document;
- request an electronic data file of financial aid history information for specific students through the TIV-WAN;
- request an electronic print file of financial aid history information for specific students through the TIV-WAN; or
- log on to NSLDS directly and access the NSLDS data on-line for an individual student.

In most cases, the financial aid history on the output document will be enough. There are some cases where the school might want to check NSLDS for more information. For example, if the student has more than 12 loans, detailed information on some of the loans isn't on the output document, and the school will need to look at NSLDS if it needs the details. Or, as discussed previously, the school might need to use NSLDS to resolve a partial match situation (see "Partial Match," page 64).

Midyear transfers

In some cases, NSLDS might not provide timely financial aid history information for students who attended another school during the same award year (midyear transfers). Because NSLDS data providers are on a monthly submission schedule (except Pell, which is updated daily), the student's current information may not be available immediately when he or she transfers. The school has several options for obtaining financial aid history information for midyear transfer students.

- The school can determine if the student previously attended other schools (see "Checking previous attendance," page 71) and obtain financial aid history information for a midyear transfer directly from the previously attended school or schools. If the previous school has closed, the school can check NSLDS or write to the FSAIC, as described under "Requesting FAT information," page 72.
- The school can use NSLDS for the financial aid history for previous years, and request only current year information from the previous school. The necessary current year information is: the student's name and SSN, the award year which the transcript covers, the student's scheduled Pell Grant, the amount of Pell funds disbursed, the amount of Perkins loan disbursed, and the amount of, and period of enrollment for, the most current loan made to the student under the FFEL and Direct Loan programs.

Requirement to Check Previous Attendance Cite
34 CFR 668.19(a)(1)

- The school can use NSLDS and disburse aid if it checks NSLDS no earlier than 60 days after the student's last date of enrollment at the other school. Waiting for 60 days after the student's previous enrollment has ended should allow enough time for all the data from the previous school to be reported. If the school later discovers that the student shouldn't have received all or some of the aid, the school wouldn't be liable, but the student would be responsible for repaying any amounts for which he or she was not eligible.

- The school could review the NSLDS data from the student's output document and then make an initial disbursement of Pell and campus-based funds or certify or originate loans as is permitted when a school is waiting to receive an FAT it has requested (see page "Payment and certification options," page 72). The school would then check NSLDS no earlier than 60 days after the student's last enrollment at the previous school; it may then make subsequent disbursements or release loan funds, if the student's eligibility is confirmed.

Financial Aid Transcript

If a school doesn't use NSLDS for financial aid history information, it has to determine for each student if the student attended any other eligible schools and then get FAT information from those other schools.

Checking previous attendance

If a school is using FATs instead of NSLDS, the school must make an active effort to find out if the student previously attended other schools. For instance, most schools routinely ask any prospective student to state previous academic experience, either in the course of an admissions interview or on the school's application. The school is responsible for ensuring the "consistency of information" at the school regarding a student's eligibility (see "Conflicting Information" in the Introduction), and therefore must have a system to exchange such information with the admissions office.

Requesting FAT information

The FAT information must be sent directly from the previous school to the current school (not to the student). The student can request that a transcript be sent, or the current school can make the request. In either case, the current school must document that a request was made. (Neither the school nor the student is required to request a financial aid transcript from a foreign school.) Note that although a student can make the request that a transcript be sent, it is the school, not the student, that is **required** to obtain the FAT.

A school isn't required to use a paper FAT to get the FAT information directly from another school. A school can use any reasonable method to get the information, as long as the school has all the information required by regulations and the school maintains proper documentation. Instead of using a paper FAT, a school may get the information through written documentation, such as letters or

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No Transcript Required Cite
34 CFR 668.19(a)(5)

faxes. All documentation must contain the signature of the official authorized by the previous school to provide FAT information. The use of email isn't allowed because signatures can't be attached to email.

Payment and Certification Options Cite
34 CFR 668.19(a)(3)

If it appears that the student's previous school has since closed, the school might want to use NSLDS to get the financial aid history. Otherwise, the current school can request the Department's assistance by writing to the following address:

Federal Student Aid Information Center
Financial Aid Transcript Request
P.O. Box 4129
Iowa City, IA 52244

The current school will receive one of the following responses from the Department's FSAIC:

- No transcript is required for this student because his or her school has closed, is no longer eligible to participate in the SFA Programs, or doesn't appear to be actively participating in the SFA Programs;

- The transcript must be requested directly from the school, which is currently in operation and is participating in the SFA Programs (the school's current name and address will be included in this response); or

- The request didn't provide the needed information; the school must resubmit the request, providing the name of the student, the name and address (city, state) of the previous school, and the specific years of attendance in question.

If no transcript is required, either because the previous school is foreign, has closed, or doesn't participate in the SFA Programs, a school isn't required to take further steps to get financial aid history information. However, the school must use any information it has to ensure that the student hasn't defaulted on an SFA loan. A school is required to check any ISIRs it receives as a result of the postscreening process. Also, to prevent an overaward for the current award year, the school should get the student's signed statement of the amounts of SFA Program funds that were awarded and disbursed to him or her for the current award year.

Payment and certification options

Once the school has requested the FAT information, it can pay the student Pell and campus-based funds for one payment period only. If a school exercises this option, after it receives the transcript information it must make any necessary adjustments to the student's aid package before making another payment. Also, the school must have documentation that the FAT information was requested. The school isn't liable for the amount of the first payment if it never receives the FAT information (or if the information arrives and shows that the student is ineligible). However, the school can't make any subsequent

payments to the student without receiving the transcript information, and must attempt to collect any overpayment from the student (see "Overpayments," page 59).

Sending a Transcript Cite
34 CFR 668.19(b), (d)

After requesting the transcript information, the school can certify a Stafford loan application for the student, but can't release the proceeds from the loan until after the transcript information is received. If the school certifies a Stafford loan application and then receives FAT information that shows that the student is ineligible, the school must return the loan proceeds to the lender. In addition, the school can't hold FFEL proceeds for more than three days if the school receives the funds by EFT or master check, or thirty days if the school receives the funds by individual check. If the FATs still have not arrived at the end of the three (or thirty) days, the school must return the loan proceeds to the lender. For more information on the return of FFEL Program funds to a lender, see the Direct Loan and FFEL Programs Reference.

Under General Provisions regulations, the school can't certify a PLUS application until the school has received the FAT information.

After requesting the transcript information, the school can originate a Direct Loan award for the student, but the school can't disburse funds to the student until the transcript information is received.

In several cases, the regulations permit the school to pay a transfer student without receiving a financial aid transcript. The school may pay the student as usual if the previous school certifies that the student didn't receive SFA Program funds or certifies that the record retention period for the student's period of attendance has expired and the previous school no longer has the student's records. (See the *SFA Handbook: Institutional Eligibility and Participation* for recordkeeping requirements). As mentioned earlier, the new school can also pay without transcript information if the new school discovers that the previous school has closed and the requested information isn't available.

Sending a transcript

When a school receives a request for FAT information, the school must promptly provide the requested information. If the student didn't receive SFA funds, or attended the school so long ago that the record retention period has lapsed and the school no longer has those records, the school must notify the requesting school in writing that the transcript information won't be sent and specify the reason. If the school sending the transcript information has any information indicating that the student had attended any other schools, it must include the names of those schools with the transcript information (or in the written response, if the school isn't required to send transcript information). When the school requesting the transcript information finds that the student has attended another school, it must also request transcript information from that school.

Required Transcript Contents Cite
34 CFR 668.19(c)

A school can't withhold FAT information for a student who owes a debt to the school (such as unpaid tuition and fees, or a library fine or parking fine). However, the Department doesn't discourage the withholding of official academic transcripts in compliance with applicable state laws.

All FAT information must be signed by the person the school authorizes to sign transcripts and other financial aid documents; the transcript doesn't need to be certified. Using a signature stamp to validate transcript information is also acceptable if the stamp is restricted for use by specific financial aid personnel. In either case, a school is liable for any inaccurate information provided. Note that a school can accept a fax of transcript information if it's properly completed and signed.

Required information items

The transcript information must include

- **the student's name and Social Security Number.**
- **whether the student is in default on an NDSL, or Perkins Loan, or owes a repayment on a Pell, Perkins Loan, or FSEOG at that school.** The school should always be able to tell from its own records if the student's in default or owes a repayment for any of these programs.
- **if known, whether the student owes a repayment on a LEAP grant or is in default on a FFEL or Direct Loan received at that school.** In many cases, the holder of the debt (the guaranty agency, the state agency, or the Department) will have informed the school if the student is in default or owes a repayment.
- **for the award year in which the transcript is requested, the amount of Perkins funds disbursed.**
- **the total amount of any loans received by the student under the Perkins and NDSL programs at that school.**
- **whether the student had an outstanding balance on an NDSL (either Defense or Direct) from that school on July 1, 1987.** This will affect whether the student may be considered a new borrower in the Perkins Loan Program. New Perkins borrowers are given a nine-month grace period, rather than the six-month NDSL grace period and are eligible for a cancellation for volunteer service in the Peace Corps (see the Campus-Based Programs Reference).
- **whether the student had an outstanding balance on an NDSL (either Defense or Direct) from that school on October 1, 1992.**
- **the amount and period of each loan made to the student under the FFEL and Direct Loan programs at that school.** This

includes PLUS loans taken out by the student's parents on the student's behalf.

- **the student's Scheduled Pell Award and the amount of Pell funds disbursed to the student for the current award year.**

Schools don't have to report information on FSEOG awards with the transcript information because annual FSEOG maximums apply only to the amount that the school may award during an award year, not to how much the student may receive from multiple schools.

When responding to an FAT request, a school isn't required to include information about the amount of aid awarded at other schools or the student's default or overpayment status at other schools. However, the school sending the transcript must list these other schools with the transcript information, and the new school must make sure that it has received transcript information from those schools.

A school can decide to provide additional information such as types of work-study or cooperative-education study performed, institutional scholarships awarded, or Pell awards received in prior years. A school can also include any information about a student's eligibility for, or receipt of, financial aid if the school considers that information useful to the school the student will be attending.

Model Transcript

Although there's no official form for the required FAT information, the National Association of Student Financial Aid Administrators (NASFAA) has developed an FAT form that schools may use as a model (see the following pages). FAAs may receive a copy by writing to NASFAA at 1920 L Street N.W., Suite 200, Washington DC 20036. NASFAA is also developing a FAT form that can be used to request only the information needed for midyear transfers. Contact NASFAA for more information on this new form.

Part I of the transcript contains identifying information about the student and may be filled out either by the student or by the requesting (current) school. The student's signature is optional. However, the transcript must include the student's name and SSN.

Part II of the transcript gives the student's financial aid history, as completed by the financial aid office at the prior school. Section A gives information about other schools the student attended. Section B is used when the school isn't providing the student's financial aid history either because the student didn't receive SFA funds at the school or because the record retention period has expired and the records are no longer available. Section C contains several statements regarding the SFA funds received by the student, including outstanding loan balances, repayments owed, and defaults. The school should check all statements that are true for the student in question. Sections D and E are used to report amounts of aid received from the SFA Programs. Section F is the signature block for the school sending the transcript.

FINANCIAL AID TRANSCRIPT

PART I: To be completed by the STUDENT.

Instructions: If you ever attended another postsecondary institution, you ***must*** complete Part I of this form and submit it to the Financial Aid Office of that institution. Federal regulations require that a Financial Aid Transcript request be sent to *every* institution you previously attended, regardless of whether you received aid to attend that institution.

Name _____ Social Security # _____
Last First M.I Maiden

Name used at previous institution (if different from above) _____

Student's Address: _____

(Fold here for window envelope)

I request that the Financial Aid Office at

_____

which I attended from _____ to _____

provide the information requested in Part II to the institution shown to the left.

I ❑ did ❑ did not receive aid while a student at this institution.

Student's Signature (optional):

_____

PART II: To be completed by the STUDENT FINANCIAL AID OFFICE at the previous institution.

Complete either:
- Sections A, B and F; OR
- Sections A, and C through F.

SECTION A — Other Institutions Attended. (Everyone must complete this section.)

The institution has information indicating the student attended institutions other than this institution.

❑ No, our records show no previous institution attended.
❑ Yes, our records indicate that the student has attended the following institutions: _____

_____

SECTION B — To be completed if the institution is not completing Sections C, D, and E.

The information requested in Sections C, D, and E is not provided because:

❑ The student neither received nor benefited from any Title IV aid while at this institution.
❑ The transcript pertains solely to years for which the institution no longer has and is no longer required to keep records under the Title IV recordkeeping requirements.

If you have completed Section A and checked one of the reasons in Section B, and are not required to provide any other information, skip Sections C, D, and E, and complete Section F. Otherwise, proceed with Section C.

SECTION C — Check all statements that apply.

❑ The student received increased Federal Perkins Loan/NDSL at this institution due to Expanded Lending Option or study abroad.
❑ The student had an outstanding balance on an NDSL at this institution on July 1, 1987, *which is still outstanding as of today's date.*
❑ The student had an outstanding balance on a Federal Perkins Loan/NDSL at this institution on October 1, 1992, *which is still outstanding as of today's date.*
❑ The student owes a refund due to overpayment on a Federal Pell Grant, FSEOG or Federal Perkins Loan/NDSL at this institution.
❑ The student is in default on a Federal Perkins Loan/NDSL/Income Contingent Loan (ICL) at this institution.
❑ The institution is aware that the defaulted Federal Perkins Loan/NDSL/ICL has been discharged in bankruptcy.
❑ The institution knows the student owes a refund due to overpayment on SSIG received for attendance at this institution.
❑ The institution knows that the student is in default on a Federal Family Education Loan or a William D. Ford Federal Direct Loan received for attendance at this institution (including consolidation loans).
❑ The institution is aware that the defaulted Federal Family Education Loan or a William D. Ford Federal Direct Loan has been discharged in bankruptcy.
❑ The student received "additional unsubsidized" Federal Stafford/Federal Direct Stafford/Ford funds at this institution as an independent student or as a dependent student whose parent was unable to borrow Federal PLUS/Federal Direct PLUS.

Revised 10/19/94

SECTION D **Assistance Received or Benefited From at This Institution**

For ALL federal aid programs: When indicating totals, deduct any refunds, repayments, or Federal Pell Grant recoveries which have been returned due to an overpayment or student withdrawal. Do NOT deduct Federal Perkins Loan/NDSL prepayments or payments made according to a repayment schedule.

Sources of Assistance	Current Year Amounts 19____-____	Cumulative Total (include current year)
Federal Pell Grant: Total Disbursed to Date:		xxxxxxxx
Scheduled Award (full time, full year):		xxxxxxxx
Does the school expect to make additional disbursements to the student after this transcript is signed? If so, indicate when: _____	xxxxxxxx	xxxxxxxx
Federal Perkins/NDSL Loans		
SSIG/State Grant/Other aid* (optional – identify each)		

* If this school participates in health professions aid programs through the Department of Health & Human Services, include them here.

SECTION E **Federal Family Education Loans/William D. Ford Federal Direct Loans Borrowed While at This Institution**

Column I - list loan period, grade level, and loan amounts borrowed from the Federal Family Education Loan/William D. Ford Federal Direct Loan Program for either the current year, or the academic year immediately preceding the current year (if no loan borrowed during current year). If no loan was borrowed for *either* of these periods, leave Column I blank.
Column II - list total of **ALL** Federal Stafford/Federal Direct Stafford/Ford AND Federal SLS/ALAS loans borrowed at YOUR institution.
Both Columns - deduct any refunds or repayments which have been returned due to student withdrawal; do not deduct loan fees.

	I. Current Year Loan (if no current year loan, list loan for immediately preceding academic year, if any)			II. Cumulative Total at this Institution (Include Column I amounts)
Federal Family Education Loans and William D. Ford Federal Direct Loans	Loan Period* *Use mm/dd/yy*	Grade Level	Amount Borrowed**	Total Amount Borrowed
Subsidized Federal Stafford and Federal Direct Stafford/Ford Loans	from ____/____/____ to ____/____/____			
Unsubsidized Federal Stafford and Federal Direct Stafford/Ford Loans	from ____/____/____ to ____/____/____			
Federal SLS	from ____/____/____ to ____/____/____	xxxxx		
Federal PLUS/Federal Direct PLUS	from ____/____/____ to ____/____/____	xxxxx		xxxxxxxxxxxxxx

* Include all loan periods applicable to the same Borrower-Based Academic Year or Scheduled Academic Year.
** Total of all loans from all loan periods applicable to the same Borrower-Based Academic Year or Scheduled Academic Year.

SECTION F **This section must be completed.**

Authorized Signature _____ Date _____
Typed Name _____ Title _____
Name of Institution _____
Address _____
_____
Telephone _____
COMMENTS _____
_____

Form developed by the National Association of Student Financial Aid Administrators

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Social Security Number

CHAPTER 4

To be eligible to receive SFA funds, each student must provide a correct Social Security Number (SSN). To confirm the student's SSN for schools, the Department conducts a match with the Social Security Administration (SSA). In this chapter, we discuss the SSN requirement and the match process.

GENERAL INFORMATION ABOUT REQUIREMENT

SSN Requirement Cites
Sec. 484(p), 34 CFR 668.32(i), 668.36

Requirement to Notify ED of Correct SSN Cite
34 CFR 668.36(b)(2)

The FAFSA collects the SSN so that the Department can verify it through a tape match with SSA records. The SSA and the FAFSA processing system work together to conduct the match verifying that the student's SSN is valid and that the name and birth date associated with that SSN match the name and birth date provided by the student. The school must be sure that it has the correct SSN before disbursing any aid. There is one exception to the requirement to provide SSNs, as discussed below (see "Exception for Micronesia, Marshall Islands, Palau," page 86).

Because the Department uses the SSN in its databases, it also must have the correct SSN in its records. Therefore, a school is required to make sure the Department knows the correct SSN if the school has documentation that the SSN on the application or output document is wrong. The school fulfills this requirement by having the student make a correction to the application information.

The CPS won't process an application without an SSN. A student who doesn't have an SSN, or doesn't remember his or her SSN must contact the local Social Security office for help. For additional information (in English and Spanish), a student should call the SSA at 1-800-772-1213 or go to its web site at <http://www.ssa.gov>.

Date of Death

For the 2000-2001 award year, the Department expanded the match with SSA to include the Date of Death field. If the SSA's database shows a date of death associated with the SSN the student reported, the student's application will be rejected. Students resolve this problem in the same way as problems matching the SSN. The student must either contact SSA to get the records corrected, or must submit a change with the correct SSN (see "No Match on SSN").

Prisoner Match

Beginning with the 2001-2002 award year, ED will conduct a post-screening match with the Social Security Administration to determine if the student is incarcerated, and if so, in what type of institution.

Match Flag for Successful Match
4

Comment for Attempted Change to Confirmed SSN
13

Match on Wrong SSN Example
When Stanislaw submits his FAFSA, he accidentally provides an SSN with one number wrong. However, even though it is not his SSN, the SSA confirms the data in the match with CPS. Stanislaw sees the mistake when he gets his SAR, and tries to correct it. Because the match confirmed that the SSN was in the database, and that it matched his name and date of birth, the CPS won't make the change. Stanislaw gets the new SAR back. It has a comment telling him that he can't change his SSN. Stanislaw calls the FAA at Lem Community College, who tells him he must start over with a new FAFSA.

Match Flag and Reject Code for Date of Death
5, Reject 8

Comment for Date of Death
145

Match Flag and Reject Code for No Match
1, Reject 18

Comment for No Match
24

Incarcerated students are ineligible for Title IV loans and, if incarcerated in a federal or state penal institution, are ineligible for Pell grants as well. When available, further information will be posted on the IFAP Web site.

SSN MATCH

The CPS provides the match results in the FAA Information section of the output document, as the SSN Match Flag. In addition, the CPS prints a comment giving the student instructions if there was a problem with the match. Note that there is no comment if the match is successful.

If the match was successful, the CPS doesn't rematch the student's data against the SSA database on subsequent transactions. However, the CPS will attempt the match again if the student makes corrections to the name, birth date, or SSN. (Note that the SSN can't be corrected if all the match elements were previously confirmed; see "Successful Match" below.)

Once all the match elements have been confirmed (that is, SSN, name, and birth date all match), the SSN flag will be carried forward to the next year's Renewal FAFSA, and the SSN match won't have to be performed again.

Successful Match

If the CPS match with SSA confirms the student's SSN, and SSA records have the same name and birth date as reported on the FAFSA, the student's SSN has been confirmed and the school may disburse aid to the student. No comment is provided on the output document when the SSN match is successful. Of course, if the school has any conflicting information about the SSN, it must resolve the conflict before disbursing SFA funds to the student.

Once a student's SSN is confirmed, and there is no discrepancy on the name or birth date, the student can't change the SSN. If a student whose match data have been confirmed subsequently tries to change his or her SSN, the CPS won't accept the change. Instead, the student's SAR will have a comment telling the student to contact his or her FAA for help. If the confirmed SSN is wrong, the student can only correct it by filing a new FAFSA.

No Match on SSN

The school must resolve any problems with the match before disbursing aid. If the SSN is not found in the SSA database, the student's application will be rejected. The student will also receive a comment that instructs the student to correct his or her SSN or contact SSA if he or she believes the SSN reported is correct. The student will have to correct the application information with the CPS before he or she can receive aid.

Incorrect SSN on application

If the student's application is rejected because he or she reported an incorrect SSN, the student must provide a correct SSN to the CPS. The student could simply submit a correction (either on the SAR, or by having the school submit a correction through EDE). However, the Department recommends that the student file a new application using the correct SSN, rather than correcting the original information.

One reason for this recommendation is that the SSN is used by the Department as part of the student identifier. The CPS uses the SSN reported on the student's first application of the award year in the identifier for the student for that year. If the student corrects the SSN, his or her identifier for the year still contains the original, incorrect SSN. This may cause a conflict if another applicant also applies using that SSN (See "Applicants using Same SSN," page 85). It may also cause confusion in communicating with other Department systems, such as NSLDS or the Pell payment system.

Incorrect SSN from data entry

If student provided the correct SSN on the application, but the SSN on the output document is wrong, the student can contact the Federal Student Aid Information Center (FSAIC) at 1-800-433-3243. The FSAIC can confirm whether there was an error entering the student's data into the CPS. The FSAIC will refer any such data errors to the Department for correction; the student should not submit a correction. After the data entry error is corrected, the CPS will produce new output documents. See Chapter 9 of this publication for general information on data entry error corrections.

Correct SSN not in SSA database

If the SSN on the form is correct, but isn't in the SSA database, the student must contact a local or regional SSA office to update the database. He or she must report the correct SSN to the SSA and provide documentation verifying the correct number. The student must contact an SSA office directly; he or she cannot ask the Department of Education to correct SSA records. The SSA database is updated daily with information from local and regional offices. Once the SSA database is updated, the student can submit a correction, providing the SSN originally reported as if it is a correction. The CPS will then match again with SSA. Note that the student can't simply verify that the SSN is correct; the application will be rejected until the SSA database is updated.

No Match on Name or Birth Date

The student's application won't be rejected if the SSN is in the SSA database but the name or birth date doesn't match those the student provided. The school still needs to resolve the discrepancy before paying the student.

Problems matching the name are less likely if the student makes sure that the name he or she provides on the application matches the name on his or her Social Security card.

Match Flags for Name or Birth Date Discrepancy

2, 3

Comments for Name or Birth Date Discrepancy

60, 61

Incorrect Name on Application Example

When Sarven Technical Institute receives Tod's ISIR, the FAA sees that, according to the SSN match, the name Tod provided on his application isn't the one associated with his SSN in the SSA database. The FAA asks Tod to bring in documentation showing his correct name and SSN. He brings in his Social Security card. The first name on the card is Warren, not Tod. He also has a driver's license showing his first name is Warren. The FAA could disburse aid to Tod, keeping a copy of the Social Security card as documentation of the correct name. However, because Tod has other corrections to make, the FAA asks him to also correct his name when he makes the other corrections.

Correct Name not in Database Example

Elizabeth's ISIR shows that, according to the SSN match, her name doesn't match the one on file for her SSN. When the FAA talks to Elizabeth, she explains that she recently got married and changed her last name. Elizabeth gives the FAA a copy of her marriage certificate. The FAA plans to disburse aid to Elizabeth, but advises her to contact SSA and have the database updated to prevent future problems.

Match Flag and Reject Codes for Missing Information

8, Rejects N, 13, 5, P

Comments for Missing Information

23, 59

Incorrect name or birth date on application

A student may not need to correct a name or birth date that was reported incorrectly on the application. The school can disburse aid if the student can explain the discrepancy and provide documentation showing that the SSN belongs to him or her. Although the student isn't required to make a correction, the Department recommends that he or she do so. The incorrect name or birth date can prevent other matches (such as the NSLDS match) from working properly. Also, if the name or birth date is not corrected, financial aid history data may be submitted to NSLDS using the incorrect name or birth date, which may cause problems for the student in subsequent years.

If the student reported the current (or later) year as his or her birth date, the application will be rejected, and the student **must** submit a correction.

Correct name or birth date not in SSA database

If the name or birth date in SSA records don't match the correct name and birth date reported on the application, the student isn't required to contact SSA to update its records. Instead, the student only needs to provide documentation to the school showing that the name and birth date on the application is correct. However, the student may wish to ask SSA to update its database, so that he or she does not need to provide documentation every time he or she applies for SFA aid.

Missing Information

No match is performed when the student doesn't provide the last name or birth date, and the student's application will be rejected. The student must submit a correction with the missing information. Although the CPS doesn't conduct the match, it will check to see whether the reported SSN falls within a valid range.

SSN within valid range

If the SSN is in a valid range, the student will receive a comment explaining that the match could not be conducted without the name or birth date. The student must submit a correction providing the missing information. When the correction is sent, the information will be sent to SSA for matching, and the school should check the new output document for match results.

Social Security Number Match

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Successful match	4		No comment	None
Date of birth inconsistent with SSA records	2	C code	060 The date of birth you reported on your application is inconsistent with the Social Security Administration's records.	The student may receive payment after providing documentation that explains the discrepancy and showing that the submitted SSN is correct. If the reported birth date was incorrect, the student can also submit a correction; the application will then be rematched, and the school should check for changes to the match results. If the reported date of birth was correct, the student may want to contact SSA to have it correct its records.
Name inconsistent with SSA records	3	C code	061 According to Social Security Administration (SSA) records, the name you reported on your application does not correspond with the social security number you provided in Item 8. You should review Items 1, 2, 3, and 8 on this SAR. If all of these items are correct, you must contact an SSA office to resolve this problem. If you find that any of these items are incorrect, you should make corrections on your SAR where appropriate.	The student may receive payment after providing documentation that explains the discrepancy and showing that the submitted SSN is correct. If the reported name was incorrect, the student should submit a correction to the CPS. The application will then be rematched, and the school should check for changes to the match results. If the reported name is correct, the student may want to contact SSA so it can correct its records.
Match conducted, but no match on SSN (SSN invalid)	1	Reject 18	024 The Social Security Administration (SSA) did not confirm that the social security number you reported on your aid application is valid. If you believe that the number you reported is correct, you must contact an SSA office to resolve this problem. If you determine that the social security number you reported on your aid application is not correct, you should correct your social security number in Item 8 on your SAR or contact your FAA.	If the student's SSN is correct, the student should contact SSA to have it correct its database. Once the database is updated, the student can reenter the SSN and submit the change as a correction. If the SSN is incorrect, the student can correct the SSN on the output document, or file a new FAFSA with the correct SSN (see "Incorrect SSN on application," page 80).

Social Security Number Match (continued)

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
No match because last name or date of birth was missing, but SSN is within valid range	8	Rejects N, 13, and/or 5	059 We could not determine from the Social Security Administration if the social security number you reported belongs to you because you did not give us your last name or date of birth. Correct Items 1 and/or 9 on your SAR.	The student must make corrections to provide the name and date of birth. When the corrections are submitted, the application will be rematched with SSA. The school should check the new output document for the match results.
No match because last name or date of birth was missing, and SSN is not within valid range	8	Reject P and Rejects N, 13, and/or 5	023 It appears that the social security number you reported on your application is not a valid social security number. See your FAA for assistance.	The student must make corrections to provide the name and date of birth. In addition, if the student's SSN is correct, the student should contact SSA to have it correct its database. Once the database is updated, the student can reenter the SSN and submit the change as a correction. If the SSN is incorrect, the student can correct the SSN on the output document, or file a new FAFSA with the correct SSN.
Student tried to change SSN previously confirmed by SSA.	4		013 You tried to change your social security number. The Social Security Administration already verified that this social security number belongs to you. If you need assistance, see your FAA.	If the student used a wrong SSN, but it was confirmed by SSA, the student can only change it by filing a new application, not by making a correction. In certain rare cases, the student may need a correction application (see "Applicants Using Same SSN," page 85).
Match to a deceased person's record on the SSA database.	5	Reject 8	145 According to Social Security Administration (SSA) records, the social security number you provided in Item 8 belongs to a deceased person. If Item 8 is incorrect, you should correct your social security number on your SAR or contact your FAA. If the number in Item 8 is correct, you must contact an SSA office to resolve this problem.	If the student's SSN is correct, the student must contact SSA to have it correct its database. Once the database is updated, the student can reenter the SSN and submit the change as a correction. If the SSN is incorrect, the student can correct the SSN on the output document, or file a new FAFSN with the correct SSN.

SSN not within valid range

If the SSN doesn't fall within a valid range, the student will receive a comment stating that the reported SSN does not appear to be valid. In addition to submitting the missing name or birth date on a correction, the student must either contact SSA to correct its records (if the reported SSN is correct) or correct the SSN he or she reported. Again, the school should check the new output document for match results.

APPLICANTS USING SAME SSN

When applicants with similar names report the same SSN by mistake, they may end up with a shared record identifier. The record identifier is made up of the SSN and the first two letters of the applicant's last name. The CPS uses this record identifier to identify the applicant for the rest of the award year, even if the student later makes a correction to the SSN or last name on the SAR or ISIR. If another student submits an application with the same SSN and first two letters of the last name, the CPS assumes the application is a duplicate application from the first applicant. As is usual with duplicate applications, the CPS won't accept the data on the new application (except for a new address or different schools). In addition, the shared number will cause problems for both students in the CPS and Pell systems, because the systems will treat them as a single student.

The student who has used the wrong SSN and now has a shared identifier **must** correct this error by filing a new FAFSA. The student cannot simply submit a correction on the SAR or through EDE, because he or she will still have the same, shared identifier.

If the student using the correct SSN applied after the other student, he or she must submit a special type of application called a "correction application." This correction application will cause the CPS to accept the student's data instead of treating the application as a duplicate and providing the other student's data on the output document. If the student using the correct SSN applied first, his or her data should already be on the application record, and so a correction application isn't necessary. However, the student should check to see if the address and schools have been changed, and should make corrections to those if necessary.

Both students should keep copies of all the output documents, including those from the first FAFSAs filed. When the students file the correction application or a new FAFSA, the application receipt date is changed. Because some schools and agencies use this receipt date to determine if the student met a deadline, the students should keep the output documents to show the original receipt date and to show why a second (and later) application was necessary.

A financial aid administrator who needs to receive a 2000-2001 Correction Application should contact the Department at 1-202-260-9988. The Department will determine case by case if a Correction Application is necessary. If a Correction Application is

Students Using Same SSN Example

Hector completes an application in January, but uses his brother Eddy's SSN instead of his own. When Hector gets his SAR, he realizes that he used the wrong SSN, corrects the SAR, and mails it back to the processor. He gets a new SAR with the correct SSN, but it has the same identifier as the first SAR. Eddy files an application in April, and is surprised to receive a SAR that doesn't match what was on his application because it has Hector's information instead. Eddy goes to the financial aid office at Guerrero University, where a counselor tells him he'll need to file a correction application. Hector is also attending Guerrero, so the counselor asks Eddy to have Hector contact the financial aid office so they can explain why he'll need to file a new application even though he already has a SAR with the correct information.

necessary, the financial aid administrator may request that it be mailed either to the school or to the student.

EXCEPTION FOR MICRONESIA, MARSHALL ISLANDS, PALAU

Students from the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau are not required to provide SSNs. Students from these areas who don't have SSNs should send their FAFSAs to the following address—not to the address on the FAFSAs or on the FAFSA envelopes:

Federal Student Aid Programs
P.O. Box 4010
Mt. Vernon, IL 62864-8610

The Department prefers that schools bundle such applications and send them as a group. These applications will first be assigned a special identifying number (in lieu of an SSN) in Item 8 of the FAFSA and then will be sent to the CPS for regular processing. These applications are exempt from the SSN match with the SSA.

Students who don't have SSNs cannot use FAFSA on the Web or FAFSA Express to apply for SFA funds electronically. These students may, however, ask their schools to use EDExpress to transmit the student applications electronically if EDExpress is available.

Selective Service

CHAPTER 5

Anyone required to register with Selective Service at any time must have done so in order to receive SFA aid. The Department performs a match with Selective Service to confirm a student's registration. In this chapter, we discuss the registration requirement and the Selective Service match.

GENERAL INFORMATION

Men who are from age 18 through 25 are required to register with the Selective Service System. This requirement covers both citizens of the United States and most other men residing in the United States, except that a man who is in the United States as a lawful nonimmigrant isn't required to register as long as he maintains that status. There are exceptions to the registration requirement, as discussed under "Exemptions," page 88. Only students are required to register for Selective Service to be eligible for SFA funds. Parents who want to borrow a PLUS loan don't have to meet the registration requirement.

The Department provides some convenient ways for the student to register. There's a question on the application that asks if the student wants Selective Service to register him. By answering "Yes", the student gives the Department of Education permission to submit his registration information to the Selective Service so that the student may be registered.[5] A student can also ask to be registered by changing the answer to this question on the SAR to "Yes" and submitting the correction. The student may also go directly to the Selective Service web site at <http://www.sss.gov> and register online.

In some cases, a student will not be able to register using the FAFSA or SAR. Generally, however, a male student who is between 18 and 26 and who has not registered previously may use this method. Students who have questions about Selective Service registration may contact the Selective Service at 1-847-688-6888 or at <http://www.sss.gov>.

Selective Service Requirement Cites

34 CFR 668.32(j), 668.37

Age and Registration

The student can be registered with Selective Service as early as 30 days before his 18th birthday; if the student is too young Selective Service will hold the registration until the student is within 30 days of his 18th birthday. Students 26 and older can't be registered.

[5] If the student doesn't also answer "Yes" to the question "Are you male?" Selective Service won't register the student if his first name matches its female name table.

Exemptions Cite
34 CFR 668.37(a)(2)

Exemption Examples

Tod has been on active duty in the Army from the time he was 18, and didn't register with Selective Service before he joined the Army. He's now 24, is planning to leave the Army, and wants to receive financial aid. If he applies while he's still on active duty, he doesn't need to be registered with Selective Service. Once he leaves, he must be registered, or else he won't be able to receive aid in later years. In most cases, when someone completes an enlistment contract he is automatically registered, so Tod is probably already registered even though he didn't complete a separate registration form.

George was enrolled in an officer procurement program at the Virginia Military Institute; he started a month before he turned 18. When he was 22, he had a serious accident and was hospitalized; he officially dropped out of school a month after he was hospitalized. Due to his injuries, he was hospitalized for four years. Because he qualified for a waiver for the entire time he was 18 through 25, he was not required to register with Selective Service.

Status Information Letter Codes

The Selective Service has a number of different types of Status Information Letters. Copies of the letters are included at the end of this chapter. A code appears in the lower left-hand corner to indicate the type of letter in question. The codes are listed here.

- ***E1-E7.*** *A letter with any of these codes indicates that the student was not required to register or was exempt the entire time he could have registered (ages 18 through 25).*
- ***NR.*** *A letter with this code indicates that the student was born before 1960 and is therefore not required to register.*
- ***RR.*** *A letter with this code indicates that the student said he attempted to register but that Selective Service has no proof that he attempted to register.*

EXEMPTIONS

Men[6] exempted from the requirement to register include:

- males currently in the armed services and on active duty (this exception does not apply to members of the Reserve and National Guard who are not on active duty);
- males who are not yet 18 at the time that they complete their applications (an update is not required during the year, even if a student turns 18 after completing the application);
- males born before 1960; and
- citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau
- noncitizens who first entered the U.S. after they turned 26;
- noncitizens who entered the U.S. as lawful nonimmigrants on a valid visa and remained in the U.S. on the terms of that visa until after they turned 26.

There are certain less common situations in which registration isn't necessary. Students who weren't required to register prior to meeting one of these criteria and who meet a criterion for the entire time through the age of 25 qualify for the waiver if

- they are unable to register due to being hospitalized, incarcerated, or institutionalized;
- they are enrolled in any officer procurement program at The Citadel, North Georgia College, Norwich University, or Virginia Military Institute; or
- they are commissioned Public Health Service officers on active duty or members of the Reserve of the Public Health Service on specified active duty.

If the student isn't required to register, the school must document the student's status. If the student isn't clearly exempt from the requirement to register, the school should ask the student to document the exemption by providing the school with a Status Information Letter from the Selective Service.

As mentioned above, noncitizens who first enter the U. S. after the age of 26 aren't required to register. Only those immigrant men who enter and live in the U.S. at ages 18 through 25 are required to be registered. If a male immigrant can show proof that he first entered the U.S. when he was past registration age, he is clearly not required to be registered, and no Status Information Letter is needed. The

[6] Whether a person is a male or female is a matter for medical determination. If a school needs to determine whether a student is male or female for Selective Service purposes, the school should tell the student to write to Selective Service for a Status Information Letter.

student's entry documentation is enough to show whether he was required to register.

SELECTIVE SERVICE MATCH

To check that students who must be registered actually are registered, the CPS performs a match with the Selective Service System. The CPS provides a match flag showing the match results in the FAA Information section of the output document. In addition, the output document has a comment about the match results.

Successful Matches

If the match shows that the student is registered or exempt, a comment confirming this fact will be on the student's output document. The student is then eligible for SFA aid.

The student is also eligible for aid if the match shows that the student is still too young to register. If the student asked to be registered, Selective Service will hold onto that registration request until 30 days before the student's 18th birthday, and will then register the student.

Finally, the student is also eligible if the CPS successfully forwarded the student's name to Selective Service for registration.

Unsuccessful Matches

If the match didn't confirm the student's registration, or the student couldn't be registered, the output document will have a comment about the problem. A "C" flag will also be printed next to the student's EFC. Until the student resolves the registration problem, the school can't pay SFA funds to the student and can't certify or originate a loan.

Registration not confirmed

If the match showed that the student wasn't registered, the student must either register or provide evidence that he is registered or is exempt from registration. The student's Selective Service Registration Acknowledgement or letter of registration shows that the student is registered. The school can also go to the Selective Service web site at <http://www.sss.gov> and check on the student's registration status. The school can print out the web page as documentation that the student is registered. If the student doesn't have an acknowledgement or letter of registration, and the web site doesn't confirm his registration, he'll have to contact Selective Service to resolve the problem. If the conflict is resolved in the student's favor, he'll receive a letter from the Selective Service documenting that he is registered or that he is exempt from registering.

Unsuccessful registration

The CPS won't be able to forward the student for registration if certain information (first and last name and date of birth) is missing. The student should submit a correction with the required information;

- ***NM.*** *A letter with this code indicates that the student did not register although he was on active duty in the armed forces only for a portion of the time when he could have registered (between ages 18 through 25) and was, therefore, required to register.*
- ***RL.*** *A letter with this code indicates that the student was required to register, that the Selective Service has no record of his registration, and that Selective Service records show he was sent one or more letters requesting his compliance with the registration requirement during the period he was required to be registered.*
- ***RD.*** *A letter with this code indicates that the student provided a reason for not registering (or provided documentation proving him exempt from this requirement) but that the Selective Service determined the reason or documentation to be invalid; therefore, this code indicates that the student was required to register but did not.*

Match Flags for Successful Match
Y, T

Comments for Successful Match
26, 29, 28, 31

Match Flags for Unsuccessful Match
N, blank

Comments for Unsuccessful Match
30, 57, 33

Unsuccessful Registration Example

On his FAFSA, Hector asks the CPS to forward his information to the Selective Service for registration. However, he's over 26, so the Selective Service can't register him. His output document comes back with a blank match flag and comment 33. Hector didn't enter the U.S. until after his 26th birthday, so he doesn't have to be registered. Guerrero University already has information about his citizenship status, including the date he arrived in the U.S., so it has documentation that Hector is exempt from registration. The FAA at Guerrero explains to Hector that he wasn't required to register with Selective Service because he didn't immigrate to the U.S. until after his 26th birthday.

Failure to Register Cite

34 CFR 668.37(d), (e)

the school then looks at the match results from this correction to see if the student is eligible.

The registration forwarding will also fail if the student is 26 or older. Such a student can't register, and the school will have to determine if the student is still eligible despite failing to register (see "Failure to Register").

FAILURE TO REGISTER

Some students have been denied aid because they failed to register with the Selective Service before their 26th birthday. (The Selective Service will register only males age 18 through 25, leaving older students with no way to remedy their situation if they failed to register.) The Military Selective Service Act was amended to require a school, under certain conditions, to pay otherwise eligible students who are 26 or older and who did not register when required. To receive aid, such students must demonstrate that they did not knowingly and willfully fail to register.

The Department of Education's regulations also allow students who did not register and are too old to register to receive aid if they served on active duty in the armed forces. (It is presumed that a person who has actually served in the armed forces is not trying to avoid registering for duty.) The school should obtain such a student's DD Form 214, "Certificate of Release or Discharge from Active Duty," showing military service in the armed forces with other than the reserve forces, the Delayed Entry pool, and the National Guard and release under a condition other than dishonorable.

The school must determine whether a student who has not served in active duty knowingly and willfully failed to register. That is, the school must determine if the student knew of the registration requirement but, nevertheless, chose not to register. The school's decision is final and cannot be appealed to the Department of Education.

Determining if Nonregistration was Knowing and Willful

Unless the school can document that the student meets one of the allowable exemptions regarding registration or can document that the student has served in active duty in the armed forces, the student must first write to the Selective Service so that he may receive a Status Information Letter addressing his failure to register. The student should provide as complete a description about his situation as possible: where he was living during the period when he should have registered, whether he was incarcerated or institutionalized, his citizenship status during the period, if applicable, and so on.

If the student receives a "general exemption letter" (codes E1-E7) or a "DOB before 1960" letter (code NR), the student is exempt from registration and may receive SFA funds. If the student receives any other type of letter, the school must determine (based on all relevant evidence) whether the student knowingly and willfully failed to

Selective Service Match

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Registration or exemption confirmed by Selective Service	Y		029 Your registration or your exemption status has been confirmed by Selective Service.	None
Applicant not in Selective Service database	N	C code	030 The Selective Service reported that you have not registered with them. If you are female or were born before 1960, please contact your FAA. Otherwise, a male who is required to register with Selective Service must be registered before aid can be disbursed. If you have not yet registered, are male, and are 18 through 25 years of age, you must either answer "Yes" to both Items 29 and 30 on Part 2 of your SAR, or obtain and complete a Selective Service Registration form, available at your local post office. If you believe you have already registered or are exempt, please contact the Selective Service at 847-688-6888 to resolve any problems regarding your registration status.	Before the school can pay the student, the school must have proof that the student is exempt or the student must provide confirmation that he is registered (that is, his Selective Service Registration Acknowledgement or letter of registration).
Student too young to be required to register	T		026 Selective Service records indicate that you are not required to be registered with them until within 30 days of your 18th birthday. If you have not yet initiated the registration process, you may either answer "Yes" to both Items 29 and 30 on Part 2 of your SAR or obtain and complete a Selective Service Registration form, available at your local post office. If you have already requested that you be registered, they will process your request 30 days prior to your 18th birthday.	None; an update is not required during the year.

Selective Service Registration

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Name forwarded to Selective Service for registration	Y		031 We have forwarded your name to Selective Service for registration, as you requested.	None
Name forwarded to Selective Service for registration, student not old enough to register	T		028 We have forwarded your name to Selective Service for registration, as you requested. They will process your registration request 30 days prior to your 18th birthday.	None
Student asked to be registered, but either is too old or did not provide enough information	blank	C code	033 We could not send your name to Selective Service as you requested because you did not give us enough information, you are past the age limit for registration, or you did not sign your form. If you are at least 18 but not yet 26, you may register by answering "Yes" to both Items 29 and 30 on your SAR. You must also provide information for Items 1, 2, and 9. You may also register by obtaining and completing a Selective Service Registration form available at your local post office. If you are a male who has reached age 26, you cannot use the SAR to register. You must contact Selective Service at 847-688-6888 to resolve your registration status before you can receive Federal student aid. You are exempt from registering if born before 1960.	If the student is younger than 26, the student should make corrections and provide the missing information (first name, last name, or date of birth). The school should check the new output document for registration results. If the student is 26 or older, he can receive aid if the school has proof that he is exempt, or if he can provide evidence of registration. If the student is not registered or exempt, he can only receive aid if the school determines that he did not knowingly and willfully fail to register. (See "Failure to Register," page 90.)
Name forwarded to Selective Service for registration, but Selective Service did not complete registration process.	N		057 We forwarded your name to Selective Service for registration, as you requested. However, Selective Service did not complete registration for you because you did not answer "Yes" to Item 29. If you are male and have not yet registered, you may register by answering "Yes" to both Items 29 and 30 on your SAR. You may also register by obtaining and completing a Selective Service Registration Form, available at your local post office.	Before the school can pay the student, it must have proof that the student is exempt or the student must provide confirmation that he is registered (that is, his Selective Service Registration Acknowledgment or letter of registration).

register. The letter from Selective Service is part of the relevant evidence. For example, if the student received a letter indicating a compliance letter had been sent (code RL), this letter would be a negative factor when the school makes the determination. If the student received a "Military Service: Noncontinuous" letter (code NM), the school might reasonably determine that the student did not knowingly and willfully avoid registration.

Most of the Status Information Letters state that the final decision regarding the student eligibility rests with the agency awarding funds. For the purposes of the SFA Programs, the decision is made by the school, which represents the Department of Education. If the school's financial aid administrator determines that the student's failure to register was knowing and willful, the student loses SFA eligibility.

The school's decision is final and therefore cannot be appealed to the Department of Education. However, the Department will hear appeals from students who have provided their schools with proof of compliance with the registration requirement (i.e., that they are registered or exempt from registration) but who are still being denied federal student aid based on the registration requirement.

When deciding whether the student had knowingly and willfully failed to register, the school should consider the following factors:

- **Where the student lived when he was age 18 to 25.** For example, if a student was living abroad, it is more plausible that he would not come into contact with the requirement for registration.

- **Whether the student claims that he thought he was registered.** Mistakes in recordkeeping can occur. Correspondence indicating an attempt to register could form a basis for determining that the student did not knowingly and willfully fail to register. On the other hand, a letter from Selective Service stating that it received no response to correspondence sent to the student at a correct address would be a negative factor.

- **Why the student was not aware of the widely publicized requirement to register when he was age 18 through 25.**

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with the Selective Service because you are an alien who first entered the United States at age 20 or less before your 26th birthday.

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
E1:LXA1 J R 3/97

SAMPLE

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with Selective Service because you were released from incarceration 30 days or less before your 26th birthday after having been continuously incarcerated, institutionalized or confined to the home since your 18th birthday.

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
E2:LXA2 J R 3/97

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with Selective Service because you began incarceration 30 days or less after your 18th birthday and were incarcerated, institutionalized or confined to the home through your 26th birthday.

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
E3:LXA3 J R 3/97

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with Selective Service because you have provided proof of continuous active duty military status through your 26th birthday.

SAMPLE

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
E4:LXA4 J R 3/97

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with Selective Service because you have provided proof of continuous incarceration, institutionalization or confinement to the home from your 18th birthday through your 26th birthday.

SAMPLE

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
ES:LXA5 J R 3/97

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with Selective Service because you entered the United States for the first time after your 26th birthday.

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
E6:LXA6 J R 3/97

SAMPLE

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry as to whether you are required to register with Selective Service.

Based upon our records and the information you provided, you were not required to register with Selective Service because you entered the United States on a valid visa as a lawful non-immigrant before the age of 26, and remained in that status until your 26th birthday.

You should submit this letter to any agency concerned about your registration status with Selective Service.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
E7:LXA7 J R 3/97

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your letter concerning your eligibility for a right, benefit, or privilege which is subject to your registration with the Selective Service System as required by the Military Selective Service Act.

The denial of any right, benefit, or privilege which is conditional on registration with the Selective Service System after July 20, 1980, is not applicable to a man born before January 1, 1960.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
NR:LXAD J R 9/98

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Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your letter concerning your eligibility for a right, benefit, or privilege which is subject to your registration with the Selective Service System as required by the Military Selective Service Act.

Although you stated in your letter you completed and submitted a registration form previously, we cannot determine why we did not receive it. You are not registered, and the law does not allow registration after age 26.

Any explanation must be made to the agency administering the right, benefit, or privilege you seek. The final decision regarding your eligibility is within the authority of that agency. Therefore, you should submit this letter to them for consideration along with a copy of any documentation you believe may be helpful to your case

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
RR:LXAC J R 3/97

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Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry concerning your eligibility for a right, benefit, or privilege which is subject to your registration with the Selective Service System as required by the Military Selective Service Act.

A search of our files reveals that you are not registered. You were required to register with the Selective Service within 30 days after your discharge from military service if you had not reached age 26 at that time. If you entered the military after reaching age 18, you should have already registered within 30 days of your 18th birthday. Registration after reaching age 26 is prohibited by law.

Section 12(g) of the Military Selective Service Act (50 App. U.S.C. 462(g) reads as follows:

> "(g) A person may not be denied a right, privilege, or benefit under Federal law by reason of failure to present himself for and submit to registration under section 3 (of the Military Selective Service Act) if-
> (1) the requirement for the person to so register has terminated or become inapplicable to the person; and
> (2) the person shows by a preponderance of the evidence that their failure to register was not a knowing and willful failure to register."

The purpose of this provision is to clarify that a non-registrant is not to be denied any Federal benefit if he can demonstrate that his failure to register was not knowing or willful.

If you are being denied a right, benefit, or privilege because you have not registered with the Selective Service System and have served in the armed forces of the United States on active duty or in the Reserves or National Guard or enrolled in a Delayed Entry Program (DEP): evidence of your military service may serve to show that your failure to register was not intentional. You should submit this letter, along with any evidence of your military service, to that agency for its consideration. The agency administering the right, benefit, or privilege you seek will make the final decision regarding your eligibility.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
NM:LXAF J R 6/98

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Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry regarding your Selective Service registration status. You are not registered.

Our records indicate that we sent one or more letters reminding you of the requirement to register and urging you to do so.

Section 12(g) of the Military Selective Service Act (50 App. U.S.C. 462(g) reads as follows:

> "(g) A person may not be denied a right, privilege, or benefit under Federal law by reason of failure to present himself for and submit to registration under section 3 (of the Military Selective Service Act) if-
> (1) the requirement for the person to so register has terminated or become inapplicable to the person; and
> (2) the person shows by a preponderance of the evidence that their failure to register was not a knowing and willful failure to register."

The purpose of this provision is to clarify that a non-registrant is not to be denied any Federal benefit if he can demonstrate that his failure to register was not knowing or willful.

Any explanation to justify your failure to register must be made to the agency administering the right, benefit, or privilege you seek for which Selective Service System registration is required. Therefore, you should submit this letter to them for consideration along with a copy of any documentation you believe may be helpful to your case. The final decision regarding your eligibility is within the authority of that agency.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
RL:LXDA J R 6/98

BEST COPY AVAILABLE

Selective Service System

http://www.sss.gov

April 26, 1999

SIL
Mr. Lindsay Calvin Johnson
Rt 1 Fall Branch Road
Blountville, TN 37617

Dear Mr. Johnson:

We have received your inquiry concerning your eligibility for a right, benefit, or privilege which is subject to your registration with the Selective Service System. A search of our files, and an examination of the information you provided reveal that you were required to register with Selective Service, but have not registered.

Section 12(g) of the Military Selective Service Act (50 App. U.S.C. 462(g) reads as follows:

> "(g) A person may not be denied a right, privilege, or benefit under Federal law by reason of failure to present himself for and submit to registration under section 3 (of the Military Selective Service Act) if-
>
> (1) the requirement for the person to so register has terminated or become inapplicable to the person; and
>
> (2) the person shows by a preponderance of the evidence that their failure to register was not a knowing and willful failure to register."

The purpose of this provision is to clarify that a non-registrant is not to be denied any Federal benefit if he can demonstrate that his failure to register was not knowing or willful.

Any explanation to justify your failure to register must be made to the agency administering the right, benefit, or privilege you seek. You should submit this letter to them for consideration along with a copy of any documentation you believe may be helpful to your case. The final decision regarding your eligibility is within the authority of that agency.

Sincerely,

Lyle A. Wilkes
Director, Data Management Center

pgm/pgm
431-35-6054
RD:LXDB J R 6/98

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About the Application

CHAPTER 6

Because the application is the first step in the financial aid process, it's important that it be completed correctly. In this chapter, we discuss some of the more complex parts of the application.

DEPENDENCY STATUS

Independent Student Definition Cite
Sec. 480(d)

If the student is considered to be a dependent of his or her parents, information on the income (and assets, if applicable) of the parents must be collected on the financial aid application, and a parental contribution will be added to the student's contribution to determine the EFC. If the student meets certain criteria, he or she is automatically considered to be independent. In unusual cases, an aid administrator can determine that a student who doesn't meet the criteria should still be treated as an independent student.

Independence Criteria

For the 2000-2001 award year, a student is automatically independent if he or she meets one of the following criteria:

- The student was born before January 1, 1977.
- The student is a graduate or professional student (see "Graduate or professional," page 108).
- The student is married on the date he or she applies.
- The student is an orphan or a ward of the court (or has been a ward of the court until reaching the age of 18).
- The student is a veteran of the U.S. armed forces (see "Veteran," page 108).
- The student has certain dependents other than a spouse (see "Legal dependents," page 110).

Note that a student's living situation (that is, whether the student lives with his or her parents) does not affect the student's dependency status.

Graduate or professional

The FAFSA asks the student if he or she will be working on a degree beyond a bachelor's degree in the 2000-2001 school year. A student who answers "Yes" to this question is a graduate or professional student, and thus independent.

Graduate and professional students aren't eligible for Pell, so a student who answers "Yes" to this question on the application will be unable to receive a Pell. If the student incorrectly said he or she was a graduate student, he or she must submit a correction before he or she can get a Pell.

Students should fill out the FAFSA based on their grade level at the start of the school year. If a dependent student completes her undergraduate program during the year and begins graduate school, she can then change her answer to the dependency question on the SAR, and ED will reprocess her application, or she can have the FAA correct her financial aid record and package.

Married

If the student's relationship meets the criteria for common-law marriage in his or her state, the student is considered to be married. A student who is married but separated is considered married for the purposes of determining dependency status, not divorced or single.

Marital status can't be projected and the application must be filled out according to the student's marital status at the time. If the student is married (without separation) and a divorce is planned, the student must file as married. If the student is engaged to be married before the end of the award year, the student must still file as unmarried, unless he or she waits until after the marriage to complete the FAFSA.

Orphan

The student is an orphan if both his or her parents are dead and the student doesn't have an adoptive parent. Such a student is considered an orphan even if he/she has a legal guardian.

Ward of the court

Any student who is declared a ward of the court before the end of the award year, regardless of the student's living arrangements, is considered to be an independent student for that award year. If the student has already applied as a dependent student, he or she must update his or her status (see Chapter 9 of this publication). Note that a student is not considered a ward of the court based on being incarcerated. Also, emancipation does not qualify a student as a ward of the court and is not sufficient for a student to be considered independent.

Veteran

For the purpose of SFA eligibility, veterans are those who have engaged in active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard and were released under a condition other than

dishonorable. There is no minimum amount of time the student has to have served to be a veteran, but it does have to be active service.

The application also tells students to answer "Yes" to the question about veteran status if they aren't yet a veteran but will be by June 30, 2001. Students who attended a U.S. military academy for at least one day but withdrew in good standing are also counted as veterans, but those who are currently attending a U.S. military academy are not. ROTC students are not veterans.

Members of the National Guard or Reserves are not considered members of the U.S. Armed Forces, nor is training considered active military duty. Members of the National Guard and Reserves who serve on active duty for non-training purposes are veterans, even if they remained reservists throughout their active duty service.

Veteran match

The FAFSA processing system also performs a match with the Department of Veterans Affairs (VA) records to confirm a student's veteran status. If the student answers "Yes" to the question about veteran status, the Department will send the student's information to the VA for matching. The VA will see whether the student is a veteran, and send the results back to the CPS. The match results are provided by a match flag in the FAA Information Section of the output document.

- **Successful match.** There won't be any comments on the output document if the VA confirms that the student is a veteran.
- **Not a veteran.** If the VA reports that the student isn't a veteran, the CPS assumes that the answer to the veteran question is "No." Note that because the VA's definition of "veteran" for VA benefits is narrower than SFA's definition, the student might still be eligible for financial aid. There will be a comment on the output document for the student explaining the problem. If the VA results are wrong, the student should contact a regional VA office to have the records corrected and get proper documentation. However, if the student answered "Yes" to one of the other dependency questions, he or she is an independent based on that question and can receive student aid without resolving the VA problem. If the student answered "No" to all the other dependency questions, he or she is treated like a dependent student until the VA records are updated. Once the records are updated, the student can submit a correction marking the answer to the veteran question as "Yes" to have the VA perform the match again. Otherwise, the student will need to provide parental data. If the student has documentation (such as a DD214 form with "Character of Service" as anything but "dishonorable") showing that he or she is a veteran, the school can do a dependency override to treat the student as independent and allow the student to receive aid before the problem with the VA database is resolved. Also, if

Match Flag for Successful Veteran Match
1

Match Flag for Not a Veteran
2

Comments for Not a Veteran
162, 163

Early Exit Cadets
Students who attend a service academy but are honorably discharged prior to commission are veterans for SFA purposes, but aren't veterans for VA purposes. These students will receive match results showing that they aren't veterans. Just like other students who receive these match results, if the early exit cadet meets one of the other criteria for independence, then no resolution is required. If, however, an early exit cadet meets no other independence criteria, the school will have to perform a dependency override to make the student independent. Of course, the school must have appropriate documentation of the student's situation.

Match Flag for Not on Database
3

Comments for Not on Database
173, 174

Match Flag for Active Duty
4

Comment for Active Duty
180

Legal Dependent Examples

George is living with Emma. George isn't employed, and has no income, so Emma is completely supporting him. Emma plans to continue supporting George through the end of the award year, so she answers "Yes" to the legal dependent question when she fills out her FAFSA.

Laurel is going to college and is her cousin Paul's legal guardian. Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel on his behalf. These benefits provide more than half of Paul's support. Because Paul lives with Laurel, and will be supported by her (through the Social Security benefits) throughout the 2000-2001 award year, Laurel answers "Yes" to the legal dependent question. Note that if Paul didn't live with Laurel, Laurel would have to answer "No" to the question, even though she's supporting him.

a National Guardsman or a Reservist who served on active duty did not receive a DD 214, and can obtain a letter from a superior officer that documents the call-up to active duty and classifies the Character of Service as anything but dishonorable, the student will be considered a veteran for SFA purposes.

- **Not on database.** If the student isn't listed on the VA database, the CPS assumes that the answer to the veteran question is "No." Again, there will be a comment explaining the problem on the output document. A student who answered "Yes" to one of the other dependency questions doesn't need to resolve the problem before receiving student aid, although he or she should have the VA correct its database if it's wrong. A student who answered "No" to the other dependency questions is treated like a dependent student until he or she resolves the problem with the VA. The student must either provide parental data or resolve the problem with the VA and submit a correction marking the answer to the veteran question as "Yes" to have his or her veteran status confirmed. As mentioned above, the school can also do a dependency override if the student provides documentation that he or she is a veteran.
- **Active duty.** If the student is currently on active duty, he or she isn't a veteran yet. However, if the student's active duty status will end by June 30, 2001, he or she is counted as a veteran for purposes of dependency status. Because the student might be a veteran later in the year, the CPS doesn't assume that the answer to the veteran question is "No." A student who's already independent by one of the other independence criteria doesn't have to resolve this situation. Otherwise, the student must provide documentation to the school that he or she will be released from active duty by June 30, 2001 before the school can disburse aid.

Legal dependents

If the applicant has a legal dependent (other than a spouse), then the applicant is independent. Legal dependents include children for whom the applicant provides more than half support and persons other than the child or spouse who live with the applicant and get more than half of their support from the applicant.

Counting children as legal dependents. The application asks if the applicant has children who receive more than half their support from the applicant. An applicant whose unborn child will be born before the end of the award year can answer "Yes" to this question. An adopted child is considered the applicant's child, but not a child for whom the applicant serves as legal guardian or foster parent. Also note that a child doesn't necessarily have to live with the applicant, as long as the applicant provides more than half the support for him/her.

Veteran Status Match

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
VA confirmed veteran status	1		No comment.	None
Not a qualifying veteran, and not otherwise independent.	2	C code	162 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is correct, you should have provided your parents' information in Step Four. If you did not, you must provide the information in Step Four and you and your parent must sign the Certification statement on Part 2 of your SAR. If you believe you are or will be a qualifying veteran, you must contact a VA office to resolve this problem.	In this situation, CPS assumes that the answer to the veteran question is "No." If the student didn't provide the parents' data and signature on the application, his or her application will be rejected (Reject 15 and/or Reject 2). If the match results are wrong, the student should contact a regional VA office to have VA records updated. The student will then need to correct the veteran question to "Yes" so that his or her information will be rematched with the VA database. If the student has documentation that clearly shows that he or she is a veteran, the school can perform a dependency override, changing the student's status to independent. The student will then be able to receive SFA assistance while he or she is resolving the problem with the VA, instead of waiting until the problem is resolved. As documentation, the student may provide the DD214 form showing that the discharge from military service was other than dishonorable.
Not a qualifying veteran, but independent for other reasons.	2		163 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is not correct, you must contact a VA office to resolve this problem.	Because the student is independent for other reasons, he or she can receive aid without resolving this match problem. If the student is a veteran, he or she may contact a regional VA office to have VA records updated. If the student submits a correction, marking the answer to the veteran question "Yes," his or her information will be rematched with the VA database.

Issues involving support. If the applicant is receiving support from other parties to raise the child, is the child still considered a legal dependent? In the case of government programs that provide benefits for dependent children, those benefits should be considered as part of the applicant's support to the child. For instance, Temporary Assistance to Needy Families (TANF) and other benefits provided to applicants on the basis of their having dependent children are considered income to the applicant. Therefore, an applicant may be considered independent when one of the primary

Veteran Status Match (continued)

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Not in VA database and not otherwise independent.	3	C code	173 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is correct, you should have provided your parents' information in Step Four. If you did not, you must provide the information in Step Four and you and your parent must sign the Certification statement on Part 2 of your SAR. If you believe you are or will be a qualifying veteran, you must contact a VA office to resolve this problem.	In this situation, CPS assumes that the answer to the veteran question is "No." If the student didn't provide the parents' data and signature on the application, his or her application will be rejected (Reject 15 and/or Reject 2). If the match results are wrong, it's likely that the military branch or Department of Defense has not sent the data to VA. The student should contact a regional VA office to have VA records updated. The student will then need to correct the veteran question to "Yes" so that his or her information will be rematched with the VA database. If the student has documentation that clearly shows that he or she is a veteran, the school can perform a dependency override, changing the student's status to independent. The student will then be able to receive SFA assistance while he or she is resolving the problem with the VA, instead of waiting until the problem is resolved. As documentation, the student may provide the DD214 form showing that the discharge from military service was other than dishonorable.
Not in VA database but independent for other reasons.	3		174 The Department of Veterans Affairs (VA) did not confirm that you are or will be a qualifying veteran for receiving Federal student aid for the 2000-2001 school year. If this is not correct, you must contact a VA office to resolve this problem.	Because the student is independent for other reasons, he or she can receive aid without resolving this match problem. It's likely that the military branch or Department of Defense has not sent the data back to VA. If the student is a veteran, he or she may contact a regional VA office to have VA records updated. If the student submits a correction, marking the answer to the veteran question "Yes," his or her information will be rematched with the VA database.

means of support for the qualifying child is the benefits the applicant is receiving or will receive for the child. (The Department *does not* follow the IRS Guidelines, which state that such recipients cannot claim their children as legal dependents because the assistance program provides more than 50% of the children's support.)

If one or both of the applicant's parents are directly or indirectly providing more than 50% support in cash or other assistance to the applicant's child, then the applicant would answer

Veteran Status Match (continued)

Result	*Match flag*	*"C" code or rejected application*	*Comment number and text*	*Action needed*
Still on active duty.	4	C code	180 The Department of Veterans Affairs (VA) has confirmed that you are currently serving in the U.S. Armed Forces. You indicated on your application that you will be released from active duty by June 30, 2001. You must provide documentation of this to your FAA before you can receive Federal student aid.	A student who's already independent by one of the other independence criteria doesn't have to resolve this match problem. Otherwise, the student must provide documentation to the school that shows his or her active duty status will end by June 30, 2001. Acceptable documentation would be upcoming release orders from a military branch, typically in memorandum format or letter, stating intent to release.

"No" to the FAFSA question about legal dependents. "Indirect support" to the child includes support that the parent(s) give to the applicant on behalf of the child.

The situation is similar if the applicant is living with the parent(s) and the parent(s) are paying for most of the household expenses. In most cases, the applicant's parent(s) would be considered the primary source of support to the child. Thus, the applicant would answer "No" to the question about legal dependents. (However, there may be some cases where the applicant can demonstrate that he/she provides more than half of the child's support, even while living at home, in which case the applicant would be considered independent and answer "Yes" to the question about legal dependents.)

Dependency Overrides

In unusual circumstances, a student who does not meet any of the dependency criteria may still be considered to be independent on the basis of the financial aid administrator's professional judgment. The aid administrator must make this decision on an individual (case-by-case) basis and must document the reason(s) for the decision. (See Chapter 9 of this publication for more on professional judgment in general.) To allow the dependent student's application to be processed without the parents' information, the aid administrator must perform a dependency override.

The parents' unwillingness to assist the student isn't, in and of itself, grounds for a dependency override. Nor can a school perform a dependency override solely because the parents are unwilling to provide information on the application or information needed for verification.

Dependency Override Cite

Sec. 480(d)(7)

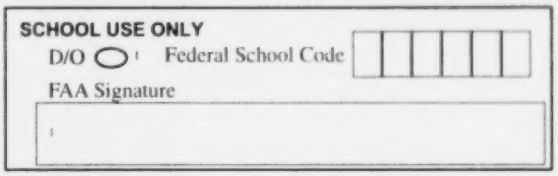
Dependency Override Example

Chavo is living with his uncle Eddy. He hasn't seen either of his parents since he was five, and has lived with Eddy all that time. Chavo wants to receive aid to attend Sarven Technical Institute, and can't provide any information on his parents. Sarven asks Chavo to provide information about his relationship with his parents. He provides a letter from his high school counselor explaining that Chavo isn't in contact with his parents, and that the school has dealt with Eddy as Chavo's guardian. He also has letters from other friends of the family explaining the family problems, and tax forms showing that Eddy claims Chavo as his dependent. The FAA at Sarven looks at all the information, and decides that with these circumstances Chavo shouldn't be treated as dependent on his parents, and so performs a dependency override on his application.

Independent Student with Parental Support Example

Doug is a graduate student at Guerrero University. Because he's a graduate student, he's independent. However, he's still living with his parents, and has no income of his own. Although the FAA at Guerrero can't make Doug a dependent student, she decides to add an amount to his untaxed income as reported in Question 46 to account for the living expenses his parents are paying.

FAFSA School Use Only Box



An aid administrator may override only from dependent to independent. He or she can't require a student who meets one of the criteria for independence to file as a dependent. However, if an independent student is receiving substantial support from his or her parents, a school may use professional judgment to adjust one or more of the FAFSA data elements, such as untaxed income.

A student receiving a dependency override on his or her initial application answers the questions on the FAFSA as if he or she was independent. If the school is filing the application for the student through EDE, the aid administrator can authorize the dependency override by putting in a Dependency Override code of "1" (see the *Application Processing Desk Reference* or the *EDE Technical Reference* for more information). To authorize a dependency override on a paper FAFSA, the aid administrator marks the oval for an override, labeled "D/O," in the School Use Only box on Page 6, fills in the school's Federal School Code, and signs. A separate letter attached to the application (in lieu of making the override) is **not** acceptable.

A financial aid administrator may use EDE or the SAR to override the dependency status of a student who has already applied. In EDE, the aid administrator needs to put in a Dependency Override code of "1." On the SAR, the aid administrator should fill in the oval marked "1" after the D/O label in the School Use Only box, fill in the school's Federal School Code, and sign.

A financial aid administrator may also use EDE or the SAR to cancel a dependency override that another school performed. In EDE, the aid administrator should change the Dependency Override code to "2." On the SAR, he or she should fill in the oval marked "2" after the D/O label, fill in the school's Federal School Code, and sign (see the diagram of the SAR "School Use Only" box in Chapter 9).

HOUSEHOLD INFORMATION

An independent student provides information on how many people are in his or her household and the number of those people who will be attending college. A dependent student provides the same information about his or her parents' household, as well as some general information about the parents.

Definition of "Parent"

The term "parent" doesn't necessarily mean the student's biological parents. There are several instances in which a person other than a student's biological parent is treated as the student's parent for SFA purposes. If this person is considered a parent to the student, then the parental questions on the application must be answered as they apply to that person.

Adoptive and foster parents

An adoptive parent is treated just like a biological parent. A foster parent is not treated as a parent on the application.

Legal guardians and other relatives

A legal guardian is no longer treated as a parent for SFA purposes. If the student's parents are dead, the student is independent. Otherwise, a dependent student must report information about his or her parents even if he or she has a legal guardian, unless the school has a documented reason to perform a dependency override.

If a student is living with his or her grandparents or other relatives, the same principle applies. Unless the relatives have adopted the student, the income of the relatives should not be reported on the FAFSA. The school could, if it wished, consider support the student receives from relatives or others to be unusual circumstances, and use professional judgment to adjust the student's data. Of course, as with any use of professional judgment, the school can only make this type of adjustment on a case-by-case basis (see Chapter 9 of this publication for more on professional judgment).

Stepparents

A stepparent is treated like a biological parent if the stepparent is married, as of the date of application, to a student's biological parent whose information will be reported on the FAFSA or if the stepparent has legally adopted the student. **There are no exceptions.** Prenuptial agreements do not exempt the stepparent from providing required data on the FAFSA. If the biological parent has died and the stepparent survives, then the student is independent (assuming the student is not dependent on the surviving biological parent), unless the stepparent legally adopted the student. Note that the stepparent's income information for the entire base year, 1999, must be reported even if the parent and stepparent were not married until after 1999.

Death, Separation, Divorce

In cases of death, separation, or divorce, a student must answer parental questions on the FAFSA as they apply to the surviving or

Student Living with Relatives Example

Malia's father is dead, and her mother can't support her, so Malia's living with her grandmother. Her mother doesn't pay any money for her support. Malia doesn't meet any of the independence criteria, so she has to provide parental information. Because her grandmother hasn't adopted her, her grandmother isn't her parent. Malia will have to provide information about her mother on the form, unless her school decides to do a dependency override.

Stepparent Example

Meurig's parents divorced when he was seven; his mother later remarried, and Meurig lived with his mother and stepfather. His stepfather didn't adopt him. His mother died in 1999, but his father is still living. Meurig doesn't meet any of the independence criteria, so he's a dependent student. Because his father is his only surviving parent, Meurig needs to report his father's information on the form, even though he's still living with and being supported by his stepfather.

Death, Separation, Divorce Cite

Sec. 475(f)

Divorce Example

Marta's parents have recently divorced. Marta is 22, and doesn't meet any of the independence criteria. She hasn't lived with her parents since she was 18, so she didn't live with either parent in the past year. Also, neither parent provided support in the past year. The last time she received support from her parents was when she lived with them, and they were still married. She didn't receive money from each parent separately, but her father's income at the time was larger and he contributed more money to the overall household expenses. Therefore, Marta determines that she received more support from her father the last time she received support, and provides her father's income on the form.

Household Size Cites

Sec. 480(k), (l)

Support

Support includes money, gifts, loans, housing, food, clothing, car payments or expenses, medical and dental care, and payment of college costs.

Independent Student Household Size Example

Eddy is an independent student. He was married, but now he and his wife have separated. He's paying child support, but it isn't enough to provide more than half his children's support, so he can't include his children in his household size. He's also supporting his nephew Chavo, and will support him for the entire award year. Because Chavo lives with Eddy, he can be counted in the household size. Therefore, Eddy's household size is 2.

Chavo is also independent, as the result of a dependency override. Although he's living with Eddy, he's not providing any support to Eddy. Chavo's household size is 1.

responsible parent. A student doesn't report information about a spouse if the spouse is dead or if the student and spouse are separated or divorced.

Death of parent

If one, but not both, of the student's parents has died, the student will answer the parental questions about the surviving parent and won't report any financial information for the deceased parent on the FAFSA. If both the student's parents are dead when the student fills out the FAFSA, the student must answer "yes" to Question 58, making the student independent. Remember that an adoptive parent counts as a parent too, but a legal guardian doesn't. If the last surviving parent dies after the FAFSA has been filed, the student must update his or her dependency status and all other information as appropriate (see Chapter 9 for more on updating).

Divorce of parents

If the student's parents are divorced, the student should report the information of only one parent, the parent that he or she lived with the most during the past year. **It doesn't make a difference who claims the student as an exemption for tax purposes.** If the student didn't live with either parent or lived equally with each parent, then the parental information must be provided for the parent from whom the student received the most financial support or the parent from whom the student received the most support the last time support was given.

Separation

A couple doesn't have to be legally separated in order to be considered separated. The couple may consider themselves informally separated when one of the partners has left the household for an indefinite period of time. If the partners live together, they can't be considered informally separated. However, in some states, a couple can be considered legally separated even if they still live together. If the couple's state allows this, and they are legally separated, then they are considered separated though they are still living together. For a dependent student, use the same rules as for divorce to determine which parent's information must be reported.

Common-Law Marriage

If a couple live together and have not been formally married but meet the criteria in their state for a common-law marriage, their status should be reported as married on the application. If the state doesn't consider the situation to be a common-law marriage, then they aren't married. A dependent student should follow the rules for divorce to determine which parent's information should be reported. Check with the appropriate state agency concerning the definition of a common-law marriage.

Household Size

The following persons are included in the household size of an independent student:

- the student;
- the student's spouse, excluding a spouse not living in the household as a result of death, separation, or divorce;
- the student's children, regardless of where they live, if they received or will receive more than half of their support from the student's household from July 1, 2000 through June 30, 2001;
- the student's unborn child, if that child will be born before July 1, 2001 and the student's household will provide more than half of the child's support from the projected date of birth to the end of the award year (if there is a medical determination of a multiple birth, then all expected children can be included); and
- other persons, if they live with the student **and** receive more than half of their support from the applicant's household at the time of application and will continue to receive that support for the entire 2000-2001 award year (July 1, 2000 through June 30, 2001).

The following persons may be included in the household size of a dependent student's parents:

- the student (even if the student does not live with the parents);
- the student's parent(s), excluding a parent not living in the household as a result of death, separation, or divorce;
- the student's siblings, regardless of where they live, if they received or will receive more than half of their support from the student's parent(s) between July 1, 2000 and June 30, 2001 **or** if they would be considered dependent based on the FAFSA dependency questions[7];
- the student's children, if they received or will receive more than half of their support from the student's parent(s) from July 1, 2000 through June 30, 2001 (even if the children don't live with the student's parents, they must be counted if they meet this criterion);
- the student's parents' unborn child or the student's unborn child, if that child will be born before July 1, 2001 and the student's parents will provide more than half of the child's support from the projected date of birth until the award year's end (if there is a medical determination of a multiple birth, then all expected children can be included); and

Dependent Student Household Size Example

Lydia is a dependent student. Her parents are married, so they are both included in the household size. Her sister Jane is 26, but is still being supported by her parents, so she is also included in the household size. Her sister Elizabeth is attending college, but is an independent student, and isn't supported by the parents, so she isn't included in the household size. Her sister Susan is not attending college, but is working and supporting herself. However, if she were to apply for student aid, she would be considered a dependent student, so she is included in the household size. Lydia's sister Kitty is in college, and is a dependent student as well, and is included in the household size. Therefore, the household size that Lydia reports for her parents is 6.

SFA and IRS Household Rules

The rules used for determining whether or not someone can be counted in the household for SFA purposes aren't the same as the IRS rules for determining household members or dependents. In particular, whether a divorced or separated parent claims a child as a dependent on the tax form is irrelevant when deciding whose household the child belongs to for SFA purposes.

[7] The sibling doesn't have to actually be a student or apply for federal student aid to meet this exception.

Number in College Cite
Sec. 474(b)(3)

Income and Assets Cites
Sec. 480(a), (b), (f), (g)

- other persons, if they live with **and** receive more than half of their support from the student's parent(s) at the time of application and will continue to receive that support for the entire 1999-2000 award year (July 1, 2000 through June 30, 2001).

A student should remember that financial information for a stepparent must be reported on the form and that the stepparent must be included in household size.

For the purpose of including children in the household size, the "support" test is used (rather than a residency requirement) because there may be situations in which a parent supports a child who does not live with him or her, especially in cases where the parent is divorced or separated. In such cases, the parent who provides more than half of the child's support may claim the child in his or her household size. If the parent receives benefits (such as Social Security or AFDC payments) in the child's name, these benefits must be counted as parental support to the child.

Number in College

The student should **always** be included in the number in college. Other members of the household are counted in the number in college if they are or will be enrolled at least half time in a degree or certificate program during the award year. The definition of half-time enrollment for this question must meet the federal requirements, even if the school defines half time differently. (See Chapter 1 of this publication for information on enrollment status requirements.) In addition, the household member must be working toward a degree or certificate leading to a recognized education credential at a school that's eligible for any of the SFA programs.

As a result of the most recent Reauthorization, parents are excluded from the number in college for the 2000-2001 and following years. However, schools will be able to use professional judgment to make adjustments for students with parents in college.

INCOME AND ASSETS

Students need to provide information about their income and assets on the application. Dependent students also provide information about their parents' income and assets. The form collects information on the base-year income and tax information. The base year for 2000-2001 is the 1999 tax year. Students also provide information about their (and their parents') assets as of the date the application is completed. Students only report the net worth of assets, instead of reporting the value and debt.

In previous years, students filled out a separate worksheet to determine whether they met the simplified needs test and so could omit asset information. Beginning with the 1999-2000 application, the student no longer must decide whether or not he or she needs to provide asset information. Instead, all students provide the

Estimated AGI Worksheet

(Note: Use this worksheet to estimate 1999 Adjusted Gross Income [AGI] if you do not have a tax return.)	*For question 40 Student/Spouse*	*For question 74 Parent(s)*
(Wages, salaries, tips, etc.	$ _____ .00	$ _____ .00
Interest income	+ _____ .00	+ _____ 00
Dividends	+ _____ .00	+ _____ .00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social Security, Railroad Retirement, and all other taxable income)	+ _____ 00	+ _____ 00
Add all of the numbers in the column	= _____ .00	= _____ .00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, one half of self-employment tax, self-employed health insurance deduction, interest penalty on early withdrawal of savings, and alimony paid)	− _____ .00	− _____ 00
TOTAL — Write this amount in question 40 and/or 74:	$ _____ .00	$ _____ .00

information, and the FAFSA processor makes the adjustment for the student (see Chapter 7 of this publication for details).

If the student (or the student's parent) wasn't married in 1999, but is married at the time the application is completed, the student or parent also needs to provide income and asset information for his or her spouse. If the student or the student's parent was married in 1999, but is now separated or divorced, or the spouse has died, the student or parent doesn't provide income and asset information for his or her spouse, even though that information may be on the 1999 tax forms.

Income Match

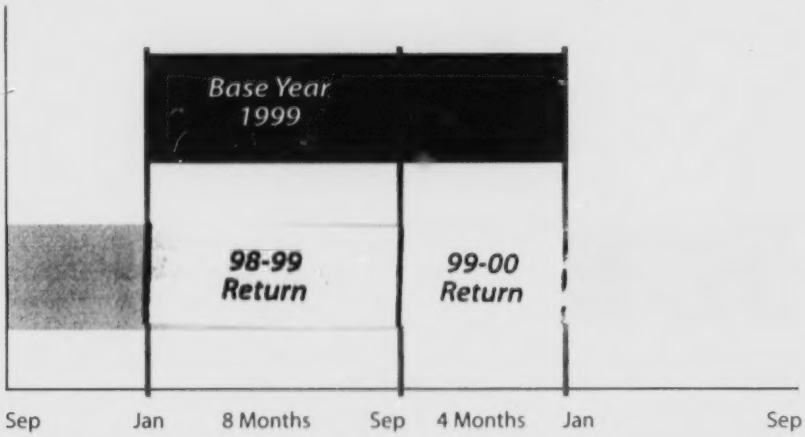
The FAFSA now asks for the parents' social security numbers and last names in preparation for a future match with the IRS on AGI, taxes paid, number of exemptions claimed, and filing status. If at least one parent's last name and SSN are not provided, the student's SAR and ISIR will contain a comment highlighting this. While these are required fields for the FAFSA, because the match is not yet in place, applicants who do not provide this information will still be eligible for financial aid. Schools will not be required to follow up with students for whom this data is missing, but students may be encouraged to provide this parental data.

Fiscal Year Return Example

Owen's parents file a fiscal year tax return. They start their fiscal year in September. The return they filed for the fiscal year starting in September 1998 includes eight months in 1999. The return they'll file for the fiscal year starting in September 1999 includes four months in 1999. Therefore, they should use the information from the tax return for the fiscal year that started in September 1998.

Fiscal Year Example

Owen's parents filed a fiscal tax return for the period from September 1 to August 31. Because the larger portion of the base year (1999) is covered by the 98-99 fiscal return, Owen should report information from that return on the application.



Information from Tax Forms

The student (and parents, for a dependent student) has to report whether a tax form has been or will be filed, and which form was or will be used. Previously, the Department instructed students to report that a 1040A or 1040EZ was used if the student or parents were eligible to use one of those forms but used a 1040 instead. Because there's now a separate question that asks if they were eligible to file a 1040A or 1040EZ, students should indicate which tax form was actually filed.

The FAFSA asks for several items from the tax return: the adjusted gross income (AGI), the total income tax, the exemptions, and the earned income credit. Dependent students report these items for their parents as well. The FAFSA tells students which tax form line item has the information they need to enter. It will be easiest for the students to complete these income and tax-related questions if they've already completed their tax returns. The student can also estimate answers, but if the estimated information is wrong, the student must submit a correction when the tax return is filed. The FAFSA used to provide a worksheet to help the student estimate AGI. Instead of that worksheet, the student can use tax forms to estimate the AGI, or can use the worksheet we've provided here.

Worksheets A and B on the FAFSA also asks for certain items from the tax return and W-2s. The worksheets also tell students which line items to copy the information from.

If the student (or parent) filed a joint return but is now divorced or separated, he or she won't be able to copy the information from the tax forms. Instead, he or she must figure out how much of the income

and taxes paid belongs to him or her. See Chapter 8, "Using a Joint Return to Figure Individual AGI and Taxes Paid," page 197, for more discussion on methods for calculating this information.

Fiscal year returns

For a fiscal year tax return (as opposed to a return for the calendar year), the student should report information from the fiscal year tax return that includes the greater number of months in 1999.

Tax forms other than IRS forms

Students who filed tax forms other than the IRS forms, such as foreign or Puerto Rican returns, used to be told to report that they filed one of the IRS forms. The application now specifically asks if the student filed a tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federal States of Micronesia, or the Republic of Palau, or a foreign tax return.

For the four items that need to be copied from the form, the student has to determine which line items from his or her tax form correspond most closely to those on the IRS forms. Students filing a foreign tax return need to convert the income and tax amounts to U.S. dollars, using the exchange rate at the time of application.

Nontaxfilers

If a student, his or her parents, or his or her spouse don't file and are not required to file a tax return, they still must report their earnings. In this case, W-2 forms and other such records should be used to answer the questions, although the student should follow the FAFSA instructions and skip the questions that only ask for information from the tax return.

Worksheet A tax form items

Worksheet A collects information about untaxed income and benefits. Both parents and students report these items. Again, a student who hasn't filed will have to estimate these amounts, and students or parents may need to separate information from a joint return. Worksheet A items that are answered from tax forms are:

- **Payments to tax-deferred or sheltered pension and savings plans (paid directly or withheld from earnings).** This includes untaxed portions of 401(k) and 403(b) plans. These amounts are listed on W-2 forms. These types of payments are listed in Box 13 of the W-2, and will have one of the following codes: D, E, F, G, H, or S. Note that employer contributions to these plans shouldn't be reported as an untaxed benefit.

- **Deductible IRA or Keogh payments.** If the student, spouse, or parent can exclude payments to an IRA or Keogh from taxation, those payments are reported as untaxed income. These amounts are reported on the tax return. Note that payments into Education IRAs aren't deductible, so they shouldn't be included in this amount.

- **Tax exempt interest income.** Certain types of interest, such as interest on municipal bonds, are tax exempt. This amount is on the tax return.

- **Foreign income exclusion.** If a U.S. tax filer earns foreign income, part of that income might be excluded from taxable income. To exclude the income, the student or parent files a Form 2555 or 2555EZ. This income counts as untaxed income, so the form tells the student to copy the amount from line 43 of Form 2555 (or line 18 of Form 2555EZ) into Worksheet A.

- **Untaxed portions of pensions.** Certain payments from IRAs or pensions are excluded from taxation. A tax filer calculates how much of his or her IRA distribution or pension payment is taxable when he or she completes the tax return. The student needs to report these untaxed amounts on the FAFSA. Worksheet A explains how to calculate the amount to report from the tax return.

- **Credit for Federal tax on special fuels—nonfarmers only.** Certain tax filers can claim a tax credit for excise taxes they paid during the year on some kinds of fuels. Form 4136 is used to claim this credit, and Worksheet A directs the student to copy information from that form.

Worksheet B tax form items

Worksheet B collects information on items that are included in the taxable income on the tax return, but are excluded from income for student aid purposes. The student doesn't subtract these from the AGI reported on the form, but lists them separately on Worksheet B. The total from the worksheet is then reported on the FAFSA. The CPS subtracts that total from the AGI. Having the AGI from the tax return listed on the application makes the verification process easier.

Worksheet B specifically lists tax form numbers for only one item, the education tax credits, but information for several other items may be on tax forms. The items that can be found on tax forms are:

- **Education tax credits.** These are the Hope and Lifetime Learning tax credits; the application tells students where this information is on the tax return.

- **Taxable earnings for FWS or other need-based work programs.** The student may have received W-2s for these earnings. Otherwise, students will need to use any other records they received showing how much they earned.

- **Student grant and scholarship aid.** A student includes the amount of grants and scholarships he or she received that exceeds his or her tuition, fees, books, and supplies as part of his or her taxable income. The taxfiler is also supposed to write this amount separately on the tax form next to the line where wages and other earnings are reported. If the information was

reported this way, the student can copy that amount from the tax form.

Income Information from Other Sources

The only income items remaining are those reported on Worksheets A and B. As mentioned above, Worksheet A collects information about untaxed income and benefits, and Worksheet B collects information on items to be excluded from taxable income.

Untaxed income—Worksheet A

In general, any income not reported on the tax return should be listed on Worksheet A. Worksheet A lists a number of specific types of untaxed income; these include:

- **Child support received for all children.**
- **Welfare benefits, including Temporary Assistance for Needy Families (TANF).** TANF is the name for the state-administered plans that replaced Aid to Families with Dependent Children (AFDC or ADC) payments.
- **Untaxed Social Security benefits.**
- **Housing, food, and other living allowances.** Some people, particularly clergy and military personnel, receive these kinds of allowances as compensation for their jobs. If the parent or student receives money to pay rent, he or she should list the amount of money received. If the parent receives use of a house or apartment, he or she should report the amount that he or she would pay to rent a comparable house or apartment (market value). Similarly, if the student received free room and board in 1999 for a job that was not awarded as student financial aid, the student must report the value of the room and board as untaxed income. (This category, "housing allowances," excludes rent subsidies for low-income housing.)
- **Worker's compensation.**
- **Veterans' noneducation benefits.** This includes benefits such as Death Pension or Dependency & Indemnity Compensation (DIC).
- **Cash or money paid on the student's behalf.** The student reports any cash support he or she received, except that a dependent student doesn't report support received from his or her parents. The parents don't report cash support that they received.

Worksheet A also has a line for the student to report other types of untaxed income. Any other type of untaxed income the student received that isn't reported elsewhere is reported here. Some other types of untaxed income are: VA Educational Work-Study allowances, interest income on Education IRAs, untaxed portions of Railroad

Examples of In-Kind Income

- *Food Stamp Program*
- *Women, Infants, and Children Program (WIC)*
- *Food Distribution Program*
- *National School Lunch and School Breakfast programs*
- *Commodity Supplemental Food Program (CSFP)*
- *Special Milk Program for Children*
- *Daycare provided by the Social Services Block Grant Programs (if the recipient receives **reimbursement** for childcare expenses, that amount is reported as income)*
- *JTPA Benefits*
- *Rollover Pensions*
- *Payments and services received from states for foster care or adoption assistance, under Part A or Part E of Title IV of the Social Security Act*

Dependent Benefits Example

Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel, his guardian, on his behalf. Laurel has to report these benefits as her untaxed income when she completes her FAFSA, even though the benefits are for Paul.

Stanislaw's Uncle Yvor lives with him. Yvor receives a small disability payment each month. This amount is paid directly to Yvor, so Stanislaw doesn't report it as income when he completes the FAFSA. The payment is small enough that Stanislaw is still providing more than half of Yvor's support, and so he includes Yvor in his household size as a dependent. However, next year Yvor is expecting to also start receiving a pension. The combination of the pension and the disability payment will be enough that Stanislaw won't be providing more than half of Yvor's support, and Stanislaw won't be able to include Yvor in his household size any more.

Retirement Benefits, Black Lung Benefits, Refugee Assistance, the untaxed portion of capital gains, and foreign income that wasn't taxed by any government.

Items that shouldn't be included on Worksheet A

There are certain types of income that aren't counted as income in calculating the student's EFC. Two of the major income types that aren't reported are student financial aid and in-kind income. Student aid is taken into account in packaging aid (see Chapter 10 of this publication), and so shouldn't be counted as income. Note that student aid included in the AGI is reported separately as an exclusion so that it can be subtracted from income.

Other types of income that aren't reported on Worksheet A are:

- **Payments and services received from states for foster care or adoption assistance, under Part A or Part E of Title IV of the Social Security Act.**

- **Per capita payments to Native Americans.** Per capita payments received in 1999 from the Per Capita Act or the Distribution of Judgment Funds Act should not be reported unless they exceed $2,000. Thus, if an individual payment were $1,500, it would not be reported on an application. However, if the payment were $2,500, the amount that exceeds $2,000—$500—would be reported as untaxed income.

- **Heating/fuel assistance.** This includes payments or allowances received under the Low-Income Home Energy Assistance Act (LIHEA). Payments under the LIHEA are made through state programs that may have different names.

- **Flexible spending arrangements.** These are employee benefit programs, sometimes also called "cafeteria plans." Neither contributions to nor payments from these programs should be counted as untaxed income.

Benefits received on behalf of dependents

Any benefits received by the head of household on behalf of anyone included in household size as reported on the FAFSA are income to the head of the household. However, if members of the household, such as an uncle or grandmother, receive benefits in their own names, those benefits are not reported as income of the head of household. Note that these people can't be included in household size if they receive in their own names more than half of their support through such benefits. Because student financial aid isn't counted as income, tuition benefits a parent receives for a dependent (for example, from the parent's employer) are not included as untaxed income. These tuition benefits are taken into account as resources and estimated financial assistance; see Chapter 10 of this publication.

Underpayments and overpayments of benefits

The student reports the actual amount of benefits received for the year in question, even if the amount is an underpayment or an overpayment that will be corrected in the next year. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Cash support and in-kind support

As mentioned above, the student reports as income any cash support he or she received, but doesn't report in-kind income. The student reports any money he or she received, or money paid to someone else on his or her behalf. For example, if a friend or relative gives the student grocery money, it's reported as untaxed income. If the friend or relative pays the student's electric bill or part of the student's rent, the student must report those payments as untaxed income.

In-kind support is support in forms other than money, such as free food or housing. If a friend or relative gives the student food, or allows the student to live with them rent-free, that support isn't included as untaxed income. The one exception (mentioned above) is that the student has to report housing and other allowances received as compensation for a job.

If the student is living with someone who is paying living expenses, it can be difficult to determine whether the support is cash support or in-kind support. The basic rule is, if someone pays money that the student would otherwise pay, that money is counted as cash support. For example, if the student is living with a friend who pays the rent, but the student's name is the only one on the lease, the rent paid is counted as cash support. Because the student's name is on the lease, he or she, not the friend, is responsible for the payments, and so the friend is paying rent on the student's behalf.

Worksheet B other items

National and Community Service (Americorps) living allowance. The National and Community Service Trust Act of 1993 allows people to earn postsecondary tuition funds by filling unmet community needs. Living allowances (but not other benefits) received under this program and reported as income should be reported as an exclusion. Earnings received under this program aren't included in the amount on Worksheet B.

Child-support payments. Any child-support payments made during 1999 by the student, spouse, or parent whose income is reported on the FAFSA should be reported as an exclusion. However, don't include child support paid for a child included in the household size reported on the FAFSA.

Child Support Payments Example

Steven is married; he and his wife have one child. He's also paying child support for a child he had with another woman. This child doesn't live with Steven and his wife, but because he's providing over half the child's support (through his child support payments), he counts the child in his household size. Therefore, he doesn't report the amount of child support he pays in Worksheet B on his FAFSA. Steven's wife is also paying child support for a child of hers that doesn't live with her. She isn't providing over half the child's support, so the child isn't included in Steven's household size. Therefore, Steven can report the amount of child support his wife pays in Worksheet B on his FAFSA.

Family Farm

A farm is a family farm if the farm is the principal place of residence and the family claimed on Schedule F of the tax return that it "materially participated in the farm's operation." In certain instances, however, even if the farm is incorporated and the family files a corporate return instead of IRS Schedule F, the farm is still considered a family farm and the net worth of the farm isn't reported on the FAFSA. In such cases, the applicant must show evidence that family members own all shares of stock in the corporation and that those family members also reside on the farm.

Rental Properties

Sometimes the student or parent will claim that rental properties represent a business. Generally, rental properties must be reported as real estate rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. (Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.)

Education IRAs

An Education IRA is essentially a savings account, and so is reported as an asset for the student beneficiary. It should be reported as an investment.

"Take-Back" Mortgages

In a "take-back" mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller. For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if an amount is reported on this line of the tax return, the family probably has an asset that should be reported on the FAFSA. The value of the take-back mortgage is the value that the student should report. There would be no debt reported against this asset. For instance, if the family sold its house for $60,000 and had a take-back mortgage of $20,000, the family should report $20,000 as the net worth of the investment. This amount will decrease each year, depending on how much of the principal the buyer paid back that year. (This concept would also apply to other forms of seller financing of the sale of a home or other property.)

Assets

An asset is defined as property that is owned by the family and has an exchange value. A student does not report as assets possessions such as a car, a stereo, clothes, or furniture.

The law exempts certain assets from consideration for student aid purposes. Therefore, a family's principal place of residence is not reported as an asset. Neither is a family farm; only investment farms are reported as assets.

Ownership of an asset

In some cases, the ownership of an asset is divided or contested, which can affect how the student reports the asset on the application. There are several such situations:

- **Part ownership of asset.** If the parent or student has only part ownership of an asset, the student should report only that part. Generally, the value of an asset and debts against it should be divided equally by the number of people who share ownership, unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.

- **Contested ownership.** Assets shouldn't be reported if the ownership is being contested. For instance, if the parents are separated and can't sell or borrow against jointly owned property because it's being contested, the parent reporting FAFSA information would not list any net worth for the property. However, if the ownership of the property is not being contested, the parent would report the property as an asset. If ownership of an asset is resolved after the initial application is filed, the student can't update this information.

- **Lien against asset.** If there's a lien or imminent foreclosure against the asset, the asset would still be reported until the party holding the lien or making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, the student can't update the asset information.

Types of assets

The FAFSA collects information about three types of assets in addition to cash, savings, and checking accounts: investments, businesses, and investment farms. Most assets are investments; some examples of investments are real estate, trust funds, mutual funds, money-market funds, stocks, bonds, commodities, and precious metals. If the asset isn't a business or investment farm, it should be reported as an investment.

The FAFSA used to ask the student to report both the total value of the asset and the debt against it. The CPS then calculated the net worth. Now the FAFSA only asks the student to report the net worth of the asset. The student must figure the total current market value of the

investment, and subtract from that amount those debts that are related to the investment. If the net worth is negative, the student reports a net worth of zero on the application.

Similarly for a business, the current net worth should be reported for land, buildings, machinery, equipment, and inventories, except that the student shouldn't include the family's primary residence if it's part of the business. The current market value of the business asset is reduced by the business debt to arrive at the business net worth.

For an investment farm, current market value includes the value of the land, buildings, machinery, equipment, livestock, and inventories. The farm debt includes the unpaid mortgage and related debts, as well as any debts for which the farm assets were used as collateral. As noted earlier, a student should not report a family farm as an asset.

Reporting trust funds

Trust funds in the name of a specific individual should be reported as that person's asset on the application. As a general rule, the student must report the present value of the trust as an asset, even if the beneficiary's access to the trust is restricted. If the settlor of a trust has voluntarily placed restrictions on the use of the trust, then the student should report the trust as an asset, just like trusts without restrictions. If a trust has been restricted by court order, however, the student should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

The way in which the trust must be reported varies according to whether the student (or dependent student's parent) receives or will receive the interest income, the trust principal, or both.

Interest only

If a student, spouse, or parent receives only the interest from the trust, any interest received in the base year must be reported as income. Even if the interest accumulates in the trust and is not paid out during the year, the person who will receive the interest must report an asset value for the interest he or she will receive in the future. The trust officer can usually calculate the present value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income that the student (or parent) will receive from the trust in the future.

Principal only

The student, spouse, or parent who will receive only the trust principal must report the present value of his or her right to the trust principal as an asset. For example, if the principal is $10,000 and it reverts to a dependent student's parents when the trust ends in 10 years but the student is receiving the interest earned from the trust, the student must report as a parental asset the present value of the parents' rights to the trust principal. The present value of the principal

is the amount that a third person would pay at the present for the right to receive the principal 10 years from now (basically, the amount that one would have to deposit now to receive $10,000 in 10 years, including the accumulated interest). Again, the present value can be calculated by the trust officer.

Both principal and interest

If a student, spouse, or parent receives both the interest and the principal from the trust, the student should report the present value of both interest and principal, as described in the discussion of principal only. If the trust is set up so that the interest accumulates within the trust until the trust ends, the beneficiary should report as an asset the present value of the funds (both interest and principal) that he or she is expected to receive when the trust ends.

Excluded assets

Some assets aren't reported on the form. These include:

- **Tuition prepayment plans.** This includes the Michigan Education Trust and all similar tuition prepayment plans. The annual tuition prepayment amount will be taken into account when the student's aid is packaged.

- **Pensions and whole life insurance.** Pensions aren't counted as assets for application purposes. Of course, when the income from a pension is distributed to the beneficiary, the income must be reported. The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy) isn't reported as an asset. The Education IRA **is** counted as an asset for the student beneficiary because, despite its name, it isn't a retirement account.

- **Excluded assets for Native American students.** The law explicitly excludes reporting any property received under the Per Capita Act or the Distribution of Judgment Funds Act (25 United States Code 1401, et seq.), the Alaska Native Claims Settlement Act (43 United States Code 1601, et seq.), or the Maine Indian Claims Settlement Act (25 United States Code 1721, et seq.).

Qualified state tuition programs

Some states have state-sponsored college savings plans, which may also be known as qualified state tuition programs (QSTPs). Because the plans are covered in section 529 of the tax code, they may also be called section 529 plans. The IRS defines two types of QSTPs.

Under the first type of QSTP, someone can buy tuition credits or certificates that can be used for the beneficiary's college expenses. The buyer is buying designated units of attendance in advance, and the number of units doesn't change even if the actual tuition at a school increases. This type of plan is essentially a type of tuition prepayment plan. Like other tuition prepayment plans, the amount in this program isn't reported as an asset.

Signature Requirements for Application and Verification Information

		Application (FAFSA, FOTW, EDE, FAFSA Express)	*IRS Forms* 1040 or other form submitted for verification	*Verification Worksheet*
General Req's	**Student**	Must sign statement that data are accurate (on application, echo document, or signature page or by use of PIN)	Tax return must be signed by student (or spouse) or by the tax preparer (or preparer's stamp)	Must sign worksheet
	Parent(s) (if student is dependent)	One parent must sign statement that data are accurate (on application, echo document, or signature page)	Tax return must be signed by one parent or by the tax preparer (or preparer's stamp)	One parent must sign
	FAA	Must certify if dependency override is performed		
		SAR to be submitted for corrections	*EDE* corrections	*Professional Judgment* on SAR or through EDE
Additional Pell Req's	**Student**	Must sign corrections statement on Part 2 of SAR	School must have signed documentation	
	Parent(s) (if student is dependent)	One parent must sign the corrections statement on Part 2 of the SAR	School must have signed documentation	
	FAA			Must certify for adjustments or dependency override

Under the second type of QSTP, someone can make contributions to an account that's to be used for the beneficiary's college expenses. Because the buyer isn't buying tuition credits or certificates, this type of plan isn't considered a tuition prepayment plan. Instead, it's essentially a specialized savings account. The account should be reported as an asset of the owner (not the beneficiary, because the owner can remove or change the beneficiary at any time).

SIGNATURE REQUIREMENTS

The student must sign the FAFSA before submitting the information for processing. In addition to certifying that the data on the FAFSA is correct, the student is also signing the Statement of Educational Purpose, which is required to receive SFA aid. If the student is dependent, one parent whose information is reported on the FAFSA must also provide a signature. The school must also have a signature from the student (and one parent, for a dependent student) for corrections.

Signatures for Electronic Applications

Like students who apply using paper FAFSAs, those who apply electronically must meet certain signature requirements. As of 2000-2001, students who indicated on their application that they would print, sign and mail in a signature page can call FAFSA on the Web customer service and have their record released from the FAFSA hold file. Because no signature page has been received, the FAFSA processor will produce a rejected SAR and mail it to the student to sign and return. Also, the processor will now accept the first document it receives—either the signed signature page or the signed SAR.

The PIN

New for 2000-2001 is the PIN, which replaces the Electronic Access Code (EAC) and which has greater application, as outlined in the introduction.

EDE

If a student applies through the EDE system, the school must obtain the signatures on a completed paper FAFSA or on the "echo document" printed through EDE, and must keep the signed document (original or imaged) in its files even if the student doesn't receive federal student aid or doesn't attend that school.

FAFSA on the Web and FAFSA Express

Students can print out a signature page for *FAFSA on the Web* and *FAFSA Express*, sign it, and mail it to the processor. If the processor doesn't receive a signature page within 14 calendar days of receiving the application data, it will mail a "reject 16" SAR to the student. The student can sign this SAR and return it to the processor. If the student chooses not to print and send a signature page, or if no printer was available, the processor won't wait 14 days to print a rejected SAR for the student, but will generate one within 72 hours of receiving the data.

As noted in the introduction, students who have PINs can electronically sign their FAFSA. Parents who have a PIN can also electronically sign. Both parents and students will have to provide their Name ID (first two letters of their last name), SSN and date of birth along with the PIN. See Action Letter #6 (Dec. 1999) for more details.

Schools and states receive ISIRs for reject 16 records. A student's reject 16 SAR and his or her ISIR will reflect the data that he or she provided on the application; however, the CPS won't calculate an EFC for the student until it receives a signed signature page or a signed SAR. A school can also collect the required signatures at the school, either on the SAR or a document that has the required certification statements (EDExpress allows schools to print out a signature page for the ISIR). The school can then submit an electronic correction showing that the signatures have been provided.

Renewal FAFSA on the Web

The Personal Identification Number (PIN) substitutes for the student's signature. (See the Introduction to this Volume for information on the PIN.) For an independent student, no other signatures are needed, so no signature page is necessary. The application will be processed within 72 hours. Then the student will receive a SAR, and the schools listed on his or her application will receive ISIRs.

For a dependent student, a parent with a PIN can electronically sign. Otherwise, *Renewal FAFSA on the Web* will ask the student to print a signature page in order to collect the required parent's signature. If the student indicates that no printer was available, the CPS will generate a "reject 15" output document for the student within 72 hours. If a printer was available, the processor will wait up to 14 calendar days to receive the signed page. If it doesn't receive a signed signature page within 14 days, it will generate a reject 15 SAR and send it to the student. The student must have a parent sign the SAR and must send it to the address on the SAR.

As is the case with *FAFSA on the Web* and *FAFSA Express* reject 16 records, schools and states will receive ISIRs for reject 15 records. A student's SAR and ISIR will reflect the data provided on the application; however, the processor won't calculate an EFC for the student until it receives the parent's electronic signature or the signed SAR or signature page.

Substitute for Parent's Signature

Although parental information must be provided for a dependent student, a high school counselor or a postsecondary school's aid administrator may sign the application in place of the parent(s) if:

- the parent(s) is not currently in the United States **and** cannot be contacted by normal means,
- the current address of the parent(s) is not known, or
- the parent(s) has been determined physically or mentally incapable of providing a signature.

The signature of a counselor or aid administrator serves as a mechanism to get the application through the processing system. The counselor or aid administrator must provide his or her title in parentheses next to his or her signature and briefly state the reason (only one reason is needed) why he or she is signing for the parent(s). The counselor or aid administrator assures a minimum level of credibility in the data submitted. However, the counselor or aid administrator does not assume any responsibility or liability in this process. If the aid administrator finds any inaccuracies in the information reported, he or she should direct the student to send the SAR through the normal correction process or should submit corrections through EDE.

Preparer's Signature

The law requires that if anyone other than a student, the student's spouse, or the student's parents prepares the application, then the preparer must write in his or her name, the firm/company name (if applicable), the firm/company address, and either the firm/company's Employer Identification Number (EIN) (as assigned by the IRS) or the preparer's SSN.

The preparer must also sign the form. High school counselors, aid administrators, and others who help students with their applications by actually filling out line items on the form or dictating responses to items on the form are considered preparers. Preparers must complete this section even if they are not paid for their services.

Signatures for Corrections and Adjustments

If an FAA is making a correction through EDE, the school must have signed documentation for the correction from the student and parent. This signed documentation can be signatures on Part 2 of the SAR, a signed copy of the correction to be sent to the processor, or signed verification documentation. The school must collect this documentation before sending data to the processor.

Students with PINs may correct any SAR items except their SSN and date of birth by using *Corrections on the Web* at www.fafsa.ed.gov. If only student data is changed, the parent does not need to sign; this applies only to *Corrections on the Web* and not to the paper SAR.

If the student chooses to make a correction on a paper SAR, the student and one parent (for a dependent student) must sign Part 2 of the SAR.

An FAA making a professional judgment adjustment can submit the change without a signature from the parent or student.

Expected Family Contribution

CHAPTER 7

The EFC is a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education. The EFC is calculated according to a formula specified in the law. In this chapter, we describe the EFC formula in detail.

GENERAL INFORMATION

All the data used to calculate the EFC come from the information the student provides on the FAFSA. The CPS analyzes the information from the FAFSA and calculates the EFC. The EFC measures the family's financial strength on the basis of the family's income and assets. The EFC formula also takes into account the family's expenses relative to the number of persons in the household and how many of them will be attending college during the award year.

Every year, the Department publishes updated tables used in the EFC calculation. For the 2000-2001 award year, these tables were published in the *Federal Register* on June 1, 1999 with corrections published December 29, 1999.

The law provides three different formulas to calculate the EFC: one for dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

EFC Formula Cites
Sec. 474, 475, 476, 477, 478, 479

Simplified Formula Cite
Sec. 479(b)

SPECIAL EFCS

In addition to the three regular formulas mentioned above, the law specifies some special calculations of the EFC in certain circumstances. There is a simplified formula for students who meet certain income and tax-filing requirements. Students whose families have a very low income automatically get a zero EFC. And finally, the law specifies how to calculate the EFC for periods of other than nine months.

Other Tax Forms

A foreign tax return counts as an IRS Form 1040 for the purposes of qualifying for the simplified formula and the automatic zero EFC. A tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, Marshall Islands, the Federated States of Micronesia, or Palau counts as an IRS Form 1040A or 1040EZ for the purposes of qualifying for the simplified formula and the automatic zero EFC.

Asset Information Not Reported on FAFSA

If the student doesn't provide any asset information and qualifies for the simplified formula, his or her application will still be processed normally. The student will only receive one EFC, which will be produced by the simplified formula. However, if the student didn't qualify for the simplified formula, his or her application will be rejected, and the student will have to submit asset information before the CPS will calculate an EFC.

Automatic Zero EFC Cite

Sec. 479(c)

Simplified Formula

The simplified formula is basically the same as the regular formula, except that asset information isn't considered in the calculation. A dependent student qualifies for the simplified calculation if

- neither the student nor his or her parents were required to file an IRS Form 1040 and
- the parents' AGI (for taxfilers) or income earned from work (for nonfilers) was less than $50,000.

An independent student qualifies for the simplified calculation if

- neither the student nor his or her spouse was required to file an IRS Form 1040 and
- the student and spouse's combined AGI (for taxfilers) or income earned from work (for nonfilers) was less than $50,000.

In previous years, students who met the requirements for the simplified formula weren't required to provide asset information on the application, but many students were confused by the worksheets used to determine whether they needed to provide asset information. Now the application asks for asset information from all students, but as in previous years the CPS will perform a calculation using the simplified formula (and ignoring the asset data) if the student qualifies. If the asset data is provided, the CPS will also perform a full calculation using the asset data. A student who qualifies for the simplified formula and provides asset data will have two EFCs. The EFC from the simplified formula is called the Primary EFC. The Primary EFC is printed on the front of the student's SAR. The EFC from the full calculation is called the secondary EFC. It's printed in the FAA Information section. In all cases, the secondary EFC will be equal to or higher than the primary EFC. The school can use either EFC to determine the student's eligibility.

Automatic Zero EFC

The formula also provides for an automatic zero EFC for some students. A dependent student automatically receives a zero EFC if

- neither parent was required to file an IRS Form 1040, and
- the parents' combined AGI (for taxfilers) or combined income earned from work (for nonfilers) is $13,000 or less.

Alternate EFC Cite
Sec. 475(i)

An independent student with dependents other than a spouse automatically qualifies for a zero EFC if:

- neither the student (or spouse) was required to file an IRS Form 1040, and
- the student's and spouse's combined AGI (for taxfilers) or combined income earned from work (for nonfilers) is $13,000 or less.

Independent students with no dependents other than a spouse do not qualify for an automatic zero EFC.

Formula for Dependent Students Cite
Sec. 475

Alternate EFCs

The law specifies how the EFC of a dependent student must be modified if the student is going to enroll for other than a 9-month period. The EFC found in the upper right hand corner of the first page of the output document is based on a 9-month enrollment period and should always be used for awarding a Pell Grant, even if the student is attending for a longer or shorter period. The second section of the FAA Information area contains headings for the number of months, Primary EFC, and Secondary EFC, as well as a table of 1- to 12-month alternate EFCs. The figures in the table represent alternate EFCs that the financial aid administrator may use to award aid if the student is attending for less than or greater than the standard 9-month period.

For alternate EFCs, the student's contribution for both dependent and independent students has changed. See the relevant sections for details. The parent's contribution for dependent students has not changed regarding alternate EFCs.

FORMULA FOR DEPENDENT STUDENTS

The EFC for a dependent student is calculated using the information for the student and the student's parents provided on the FAFSA. The CPS calculates a parents' contribution, a student's contribution from income, and a student's contribution from assets; the EFC is the sum of these three. The parents' contribution includes a contribution from assets.

Under the simplified formula, the parent's contribution doesn't include a contribution from assets, and the student's contribution from assets isn't used.

At the end of this section are worksheets and tables that can be used to calculate the EFC for a dependent student. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are greyed out.

Parents' Contribution

There are three basic steps in calculating the parents' contribution. First, the parents' available income is determined. Then, the parents' contribution from assets is calculated. Finally, the parents' contribution is calculated using the available income, the contribution from assets, and the number in college.

Parents' available income

The parents' available income is calculated by subtracting certain allowances from the parents' total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

Parents' total income

The total income is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula (see Chapter 6 of this publication for more information on these exclusions.) If the parents are taxfilers, the parents' AGI as reported on the FAFSA is the amount of the parents' taxable income used in the calculation. If the parents are not taxfilers, the calculation uses the parents' reported income earned from work. Note that "earned income credit" is included as part of total untaxed income and benefits only if the parents are taxfilers. Total income can be a negative number.

Parents' allowances

The allowances are calculated by adding the following:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table A1. This allowance is a percentage of parents' total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below $15,000 or is $15,000 or more. The state to be used is the parents' state of legal residence reported on the FAFSA. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table A1 for a blank or invalid state is used (4% for total income below $15,000; 3% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.

Total Income Examples

Kitty and Lydia are sisters, and they are both dependent students. Their parents' AGI is $60,000; their father's income earned from work is $30,000, their mother's income earned from work is $25,000, and the parents reported $5,000 of taxable income from other sources. They also listed $2,000 in untaxed income on the FAFSA in question 80. Their total taxable and untaxed income is $62,000. They reported no exclusions on the FAFSA in question 81; therefore, their total income is $62,000. After the application was filed, Kitty told the FAA at Bennet that her mother was no longer employed and didn't have any other income. The FAA decided to use her professional judgment to adjust Kitty's application (see Chapter 9 for information on professional judgment). The FAA reduces the AGI to $35,000 and the mother's income earned from work to zero. She doesn't make any other changes to income items. Therefore, the parents' total income used for Kitty's EFC will be $37,000.

Owen is a dependent student. His father's income earned from work is zero, since he had business losses of -$123,000, and his mother's income earned from work is $40,000. Their AGI, therefore, is -$83,000. They also reported $20,000 in untaxed income and benefits in question 80 on the FAFSA. They reported no exclusions in question 81. So Owen's parents' total income is -$63,000. Although his parents' income is very low, Owen doesn't qualify for an automatic zero EFC or the simplified formula because his parents were required to file a 1040.

- **Father's and mother's Social Security tax allowance.** The father's and mother's Social Security taxes are calculated separately by applying the tax rates shown in Table A2 to the father's income earned from work and the mother's income earned from work in 1999 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table A3. This allowance is a provision for the basic living expenses of a family. The allowance varies according to the number in the parents' household and the number in college in 2000-2001, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").

- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. For two working parents, the allowance is 35% of the lesser of the father's income earned from work (question 78) or the mother's income earned from work (question 79), but may not exceed $2,800. For one-parent families, the allowance is 35% of the parent's income earned from work, also not to exceed $2,800. If a student's parents are married and only one parent reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

Allowance and Available Income Examples

Kitty and Lydia's parents reported on the FAFSA that they paid $5,900 in U.S. income tax. The family lives in Illinois, so the percentage they use for calculating state and local taxes is 5%. The allowance for state and local taxes is $62,000 (the parents' total income) x 5%=$3,100. The father's Social Security tax allowance is $30,000 x 7.65%=$2,295; the mother's Social Security tax allowance is $25,000 x 7.65%=$1,913. They reported a household size of six, with two household members in college, so their income protection allowance is $24,290. Their employment expense allowance is $2,800, because 35% of the mother's income is $8,750. Therefore, the total allowances used in calculating Lydia's EFC are $46,298. When the FAA at Bennet adjusted the AGI and mother's income for Kitty, she also changed the income tax paid to $2,160. With the reduced total income, the allowance for state and local taxes is $1,850 ($37,000 x 5%). The father's Social Security tax allowance is still $2,295, but the mother's allowance is zero, because she has no income. The income protection allowance is still $24,290. Because only one parent has income from work, the employment expense allowance is zero. The total allowances used in calculating Kitty's EFC are $30,595. For Lydia's EFC, the parents' available income is $21,703. For Kitty's EFC, the parents' available income is $6,405.

Owen's parents reported zero U.S. income tax paid on the FAFSA. Because their total income is negative, using Table A1 to calculate a state and local tax allowance produces a negative number, so their state and local tax allowance is zero. His father's Social Security tax allowance is zero because he had no income earned from work. His mother's Social Security tax allowance is $40,000 x 7.65%=$3,060. They reported a household size of four on the FAFSA, with one in college, so their income protection allowance is $19,140. Because only one parent is employed, their employment expense allowance is zero. The total allowances used in calculating Owen's EFC are $22,200. Owen's parents' available income is -$85,200 (-$63,000 + -$22,200).

Parents' Contribution from Assets

In the full formula, the assets of parents of a dependent student are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs. The formula evaluates the family's asset situation and determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strength. In the simplified formula, the assets aren't counted at all.

First, the parents' **net worth** is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table A4 to calculate the amount to be used.

Second, the parents' **discretionary net worth** is calculated by subtracting the education savings and asset protection allowance (Table A5) from the parents' net worth. As is the case with income, this is done to protect a portion of assets. The allowances for ages 40 through 65 approximate the present cost of an annuity which, when combined with Social Security benefits, would provide at age 65 a moderate level of living for a retired couple or single person. As shown in Table A5, the allowance increases with the age of the older parent (as reported on the FAFSA) to indicate the cost of purchasing such an annuity at a given age. Discretionary net worth may be less than zero.

Contribution from Assets Examples

Kitty and Lydia's parents reported $2,000 for cash, savings, and checking on the FAFSA. They didn't report any other assets. Their net worth is $2,000. The father, the older parent, is 50, so their education savings and asset protection allowance is $50,300. Their discretionary net worth is -$48,300; multiplying that amount by the conversion rate of 12% results in a negative number. Because the result is negative, the parents' contribution from assets is zero. After the FAA at Bennet reduced the AGI on Kitty's application because her mother isn't employed, Kitty qualified for the simplified needs test, and would receive both a primary (simplified) EFC and the secondary EFC from the full formula. However, because the parents' contribution from assets is zero, the primary EFC and the secondary EFC will be the same.

Owen's parents reported $15,000 for cash, savings, and checking on the FAFSA. They also reported $40,000 for the net worth of their investments, and $550,000 for the net worth of their business. The adjusted net worth of the business (the amount to be used in the EFC calculation) is $231,500 + ($550,000-$445,000)= $336,500. Owen's parents' net worth is $391,500. His mother, the older parent, is 60, so their education savings and asset protection allowance is $67,200. Their discretionary net worth is $391,500 - $67,200= $324,300. Multiplying this by the conversion rate of 12%, Owen's parents' contribution from assets is $38,916.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to obtain the **parents' contribution from assets**, which represents the portion of the value of parents' assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

Calculation of Parents' Contribution

This is the final step in determining the parents' contribution. The parents' available income and contribution from assets are added together to determine the parents' adjusted available income. The adjusted available income can be a negative number. The total parents' contribution from adjusted available income is calculated from the amounts and rates in Table A6 and is the total amount parents are expected to contribute toward all of their family's postsecondary educational costs. The rates in Table A6 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. Therefore, a progressively larger amount of income may be contributed toward postsecondary educational costs with less effect on the maintenance of the family.

The parents' contribution for the individual student is calculated by dividing the total parents' contribution from adjusted available income by the number in college in 2000-2001, as reported on the FAFSA. Beginning with the 2000-2001 school year, parents are not included in the number attending college.

Alternate EFCs for other than 9-month enrollment

The standard parents' contribution is for a 9-month enrollment period. If the student will be enrolled for less or more than 9 months, the parents' contribution is adjusted as before, but the student's

Parents' Contribution Examples

For Lydia's EFC, her parents' available income is $21,703 and their contribution from assets is zero, so their adjusted available income is $21,703. The total parents' contribution is $4,931 + ($2,103 x 40%)=$5,772. Because the number of household members in college is two, the parents' contribution for Lydia is $2,886. For Kitty, the parents' available income is $6,405. Because Kitty qualifies for the simplified formula, the parents' contribution is calculated both with and without including assets; however, because their contribution from assets is zero, the two will be the same. For each formula, their adjusted available income is $6,405. The total parents' contribution is $6,405 x 22%=$1,409, and the parents' contribution for Kitty is $705.

Owen's parents' available income is -$85,200, and their contribution from assets is $38,916. This makes their adjusted available income -$46,284. According to Table A6, their total parents' contribution is -$750; because this number is less than zero, zero is used as the total parents' contribution. The parents' contribution for Owen is also zero.

contribution is now calculated differently. For an enrollment of less than 9 months, the parents' contribution is, as before, prorated according to the number of months of enrollment. But now the student's contribution from available income will be likewise prorated and then added to the student asset contribution, which is not prorated. For an enrollment of more than 9 months, there is no change; the parents' contribution is still calculated by adjusting the standard 9-month formula on page 3 of Worksheet A, and the student's contribution still remains at the 9-month amount.

Student's Contribution from Income

To determine the student's contribution from income, the student's available income (AI) is first calculated by subtracting total allowances from the student's total income. The AI is then assessed at a rate of 50% to obtain the student contribution from available income. If the student contribution from available income is less than zero, it's set to zero.

Student's available income

The available income is the student's total income minus total allowances. As with the parents' income information, the student's total income is calculated using information from the student's FAFSA. The student's total income is the sum of the student's taxable and untaxed income, minus amounts reported in the income but excluded from the formula (see Chapter 6 for more on these exclusions). If the student is a taxfiler, the student's AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student is not a taxfiler, the calculation uses the student's reported income earned from work. Total income may be a negative number.

Total Income Examples

Kitty reported an AGI and income earned from work of $6,000, and untaxed income of $1,000. She also had $2,000 of exclusions from income that she reported on the FAFSA. Her total income is $5,000. Lydia didn't file a tax form, but reported that she earned $3,250 from work. She also reported $1,750 in untaxed income, and no exclusions. Her total income is also $5,000.

Owen had an AGI of -$15,000, but reported income earned from work of $20,000. He also had untaxed income of $8,000, and no exclusions. His total income is -$7,000.

Allowances and Contribution from Income Examples

Kitty reported income tax paid of $264. Her state of legal residence is Illinois, so her state and other tax allowance is $5,000 x 2% = $100. Her Social Security tax allowance is $6,000 x 7.65% = $459. With the $2,200 income protection allowance, and zero allowance for parents' negative income, her total allowances equal $3,023. Her available income is $5,000 - $3,023 = $1,977, and her contribution from income is $1,977 x 50% = $989.

Lydia didn't report any income tax paid. She also lives in Illinois, so her state and other tax allowance is $5,000 x 2% = $100. Her Social Security tax allowance is $3,250 x 7.65% = $249. With the $2,200 income protection allowance, and zero allowance for parents' negative income, her total allowances equal $2,549. Her available income is $5,000 - $2,549 = $2,451, and her contribution from income is $2,451 x 50% = $1,226.

Owen reported zero U.S. income tax paid on the FAFSA. Because his total income is negative, using Table A7 to calculate a state and local tax allowance produces a negative number, so his state and local tax allowance is also zero. Owen's Social Security tax allowance is $20,000 x 7.65%=$1,530. With the $2,200 income protection allowance and the allowance for parents' negative income ($46,284), his total allowances equal $50,014. His available income is -$7,000 - $50,014 = -$57,014; multiplying his available income by 50% produces a negative number, so his contribution from income is zero.

The allowances are calculated by adding the following:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it's set to zero.

- **State and other tax allowance.** Use Table A7. This allowance is a percentage of the student's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the parents' state of legal residence is used. If all three items are blank or invalid, the rate for a blank or invalid state in Table A7 is used (2%). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's Social Security taxes are calculated by applying the tax rates shown in Table A2 to the student's income earned from work in 1999 (as reported on the

Student's Contribution from Assets Examples

Kitty reported $50 in cash, savings, and checking, and no other assets. Her net worth is $50, and her contribution from assets is $50 x 35% = $18. Because she qualified for the simplified formula, she receives an EFC without this amount added, as well as one with the contribution from assets added.

Lydia reported $500 in cash, savings, and checking, and no other assets. Her net worth is $500, and her contribution from assets is $500 x 35% = $175.

Owen reported $7,000 for cash, savings, and checking. He also reported $20,000 for the net worth of his investments, and $20,000 for his share of his parents' business. His net worth is $47,000, and his contribution from assets is $47,000 x 35% = $16,450.

Final EFC Examples

After the FAA at Bennet has adjusted Kitty's data, her EFC is $705 (parents' contribution) + $989 (contribution from income) = 1,694. Because she qualified for the simplified formula, this EFC doesn't take her or her parents' assets into account. Her secondary EFC is $705 (parents' contribution) + $989 (contribution from income) + $18 (contribution from assets) = 1,712. Lydia's EFC is $2,886 (parents' contribution) + $1,226 (contribution from income) + $175 (contribution from assets) = 4,287.

Owen's EFC is $0 (parents' contribution) + $0 (contribution from income) + $16,450 = $16,450. Note that if Owen had qualified for the simplified formula, his EFC would be zero.

FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** The income protection allowance for a dependent student is $2,200.

- **Parent's negative AAI.** To recognize that a student's income may be needed to help support the family, the EFC calculation now allows a parent's negative adjusted available income (AAI) to reduce a dependent student's contribution from income. Because the student's contribution from income cannot be negative, this will not affect the student's contribution from assets.

Student's Contribution from Assets

The student's assets are treated the same way as the parents' assets with three differences—there's no adjustment to the net worth of a business or farm, there's no education savings and asset protection allowance, and net worth is assessed at the rate of 35%. Remember that under the simplified formula there's no student contribution from assets.

The student's net worth is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). Then, the student's net worth is multiplied by the conversion rate of 35% to obtain the student's contribution from assets, which represents the portion of the value of student's assets that may be considered to be available to help pay for the student's postsecondary education.

2000-01 EFC FORMULA A: DEPENDENT STUDENT

REGULAR WORKSHEET Page 1 **A**

PARENT'S INCOME IN 1999

1	Parents' Adjusted Gross Income (FAFSA/SAR #74)	
2 a	Father's income earned from work (FAFSA/SAR #78)	
b	Mother's income earned from work (FAFSA/SAR #79) +	
	Total parents' income earned from work = **2.**	
3	Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4	Untaxed income and benefits	
	• Earned Income Credit (tax filers only) (FAFSA/SAR #77)	
	• Total from FAFSA Worksheet A (FAFSA/SAR #80) +	
	Total untaxed income and benefits = **4.**	
B1	Taxable and untaxed income (sum of line 3 and line 4)	
B2	Total from FAFSA worksheet B (FAFSA/SAR #81) –	
7.	**TOTAL INCOME** (line 5 minus line 6) May be a negative number =	

ALLOWANCES AGAINST PARENTS' INCOME

8	1999, U.S. income tax paid (FAFSA/SAR #75) (tax filer only); if negative, enter zero	
9	State and other tax allowance (Table A1. If negative, enter zero.) +	
10	Father's Social Security tax (Table A2) +	
11	Mother Social Security tax (Table A2) +	
12	Income protection allowance (Table A3) +	
13	Employment expense allowance	
	• Two working parents: 35% of the lesser of the earned incomes, or $2,800, whichever is less	
	• One parent families: 35% of earned income, or $2,800, whichever is less	
	• Two-parent families, one working parent: enter zero +	
14.	**TOTAL ALLOWANCES** =	

AVAILABLE INCOME

	Total Income (from line 7)	
	Total allowances (from line 14) –	
15.	**AVAILABLE INCOME (AI)** May be a negative number =	

*STOP HERE if both of the following are true: line 3 is $13,000 or less and the parents are eligible to file a 1999 IRS Form 1040 or 1040EZ (they are not required to file a 1999 Form 1040) or they are not required to file any income tax return. If both are true, the expected family contribution is automatically equal to zero.

PARENTS' CONTRIBUTION FROM ASSETS

16	Cash, savings, & checking (FAFSA/SAR #82)		
17	Net worth of investments** (FAFSA/SAR #83) If negative, enter zero		
18	Net worth of business (FAFSA/SAR #84) If negative, enter zero		
19	Net worth of investment farm (FAFSA/SAR #85) If negative, enter zero. If the family resides on the farm, enter zero		
20	Net worth of business/farm (sum of lines 18 and 19)		
21	Adjusted net worth of business/farm (Calculate using Table A4.) +		
22	**Net worth** (sum of lines 16, 17, and 21) =		
23	Education saving and assets protection allowance (Table A5) –		
24	**Discretionary net worth** (line 22 minus line 23) =		
25	Asset conversion rate X		.12
B1	**CONTRIBUTION FROM ASSETS** If negative, enter zero =		

PARENTS' CONTRIBUTION

	Available Income (AI) (from line 15)	
	Contribution from assets (from line 26) +	
B2	Adjusted Available Income (AAI) May be a negative number =	
B3	Total parents' contribution from AAI (Calculate using Table A6, if negative, enter zero.)	
B4	Number in college in 2000-01 (Exclude parents) (FAFSA/SAR #66) ÷	
30.	**PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment) =	

**Do not include the family's home.

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REGULAR WORKSHEET **A** Page 2

STUDENT'S INCOME IN 1999

31.	Adjusted Gross Income (FAFSA/SAR #40)	
32.	Income earned from work (FAFSA/SAR #44)	
33.	Taxable Income (If tax filer, enter the amount from line 31 If non-tax filer, enter the amount from line 32.)	
34.	Total from FAFSA Worksheet A (FAFSA/SAR #46)	
35.	Taxable and untaxed income (sum of line 33 and line 34)	
36.	Total from FAFSA worksheet B (FAFSA/SAR #47) –	
37.	**TOTAL INCOME** (line 35 minus line 36) May be a negative number =	

ALLOWANCES AGAINST STUDENT'S INCOME

38.	1999, U.S. income tax paid (FAFSA/SAR #41) (tax filers only); if negative, enter zero	
39.	State and other tax allowance (Table A7. If negative, enter zero.) +	
40.	Social Security tax allowance (Table A2) +	
41.	Income protection allowance +	2,200
42.	Allowance for parent's negative Adjusted Available Income (If line 27 is negative, enter line 27 as a positive number in line 42. If line 27 is positive, enter zero in line 42.) +	
43.	**TOTAL ALLOWANCES** =	

STUDENT'S CONTRIBUTION FROM INCOME

	Total Income (from line 37)	
	Total allowances (from line 43) –	
44.	**Available Income (AI)** =	
45.	**Assessment of AI** X	50
46.	**STUDENT CONTRIBUTION FROM AI** If negative, enter zero. =	

STUDENT'S CONTRIBUTION FROM ASSETS

47.	Cash, savings, & checking (FAFSA/SAR #48)		
48.	Net worth of investments* (FAFSA/SAR #49) If negative, enter zero.	+	
49.	Net worth of business (FAFSA/SAR #50) If negative, enter zero.	+	
B1.	Net worth of investment farm (FAFSA/SAR #51) If negative, enter zero. If the family resides on the farm, enter zero.	+	
B2.	Net worth (sum of lines 47 through 50)	=	
B3.	Assessment rate	X	.35
53.	**STUDENT'S CONTRIBUTION FROM ASSETS**	=	

EXPECTED FAMILY CONTRIBUTION

	PARENT'S CONTRIBUTION (from line 30)	
	STUDENT'S CONTRIBUTION FROM AI (from line 46) +	
	STUDENT'S CONTRIBUTION FROM ASSETS (from line 53) +	
54.	**EXPECTED FAMILY CONTRIBUTION** =	

*Do not include the student's home

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2000-01 EFC FORMULA A: DEPENDENT STUDENT

NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET PAGE 3 **A**

Calculation of Parents' Contribution for a Student Enrolled for LESS than 9 Months		
A1. **Parents' contribution** (standard contribution for 9-month enrollment, from line 30)		
A2. Divide by 9	÷	9
A3. Parents' contribution per month	=	
A4. Multiple by number of months enrollment	X	
A5. Parents' contribution for LESS than 9-month enrollment	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than 9 Months		
B1. **Parents' Adjusted Available Income (AAI) (from line 27—may be a negative number)**		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	3,440
B3. Alternate parents' AAI for more than 9-month enrollment (line B1 + B2)	=	
B4. Total parents' contribution from AAI (calculate from Table A6, using alternate AAI)		
B5. Number in college (FAFSA/SAR #66)	÷	
B6. Alternate parents' contribution for student	=	
B7. Standard parents' contribution for the student for 9-month enrollment (from line 30)	–	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	12
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	X	
B12. Adjustment to parents' contribution for months that exceed 9 (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for 9-month enrollment (from line 30)	+	
B14. **Parents' contribution for MORE than 9-month enrollment**	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled for LESS than 9 Months		
C1. **Student's contribution from Available Income (AI)** (standard contribution for 9-month enrollment, from line 46)		
C2. Divide by 9	÷	9
C3. Student's contribution from Available Income (AI) per month	=	
C4. Multiply by number of months enrollment	X	
C5. **Student's contribution from Available Income (AI) for LESS than 9-month enrollment**	=	

Use next page to calculate total EFC for enrollment periods other than 9 months

REGULAR WORKSHEET Page 4 **A**

Calculation of Total Expected Family Contribution for periods of enrollment other than 9 months		
Parents' Contribution – use appropriate amount from previous page: • Enter amount from line A5 for enrollment periods less than 9 months • Enter amount from line B14 for enrollment periods greater than 9 months		
Student's Contribution from Available Income: • Enter amount from line C5 for enrollment periods less than 9 months • Enter amount from line 46 for enrollment periods greater than 9 months	+	
Student's Contribution from Assets • Enter amount from line 53	+	
Expected Family Contribution (for periods of enrollment other than 9 months)	=	

2000-01 EFC FORMULA A: DEPENDENT STUDENT

SIMPLIFIED WORKSHEET Page 1 **A**

PARENT'S INCOME IN 1999		
1. Parents' Adjusted Gross Income (FAFSA/SAR #74)		
2. a. Father's income earned from work (FAFSA/SAR #78)		
b. Mother's income earned from work (FAFSA/SAR #79)	+	
Total parents' income earned from work	= 2.	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Untaxed income and benefits		
• Earned Income Credit (tax filers only) (FAFSA/SAR #77)		
• Total from FAFSA Worksheet A (FAFSA/SAR #80)	+	
Total untaxed income and benefits	= 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total from FAFSA worksheet B (FAFSA/SAR #81)	–	
7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number	=	

ALLOWANCES AGAINST PARENTS' INCOME		
8. 1999, U.S. income tax paid (FAFSA/SAR #75) (tax filer only); if negative, enter zero.		
9. State and other tax allowance (Table A1. If negative, enter zero.)	+	
10. Father's Social Security tax (Table A2)	+	
11. Mother Social Security tax (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: • Two working parents: 35% of the lesser of the earned incomes, or $2,800, whichever is less • One parent families: 35% of earned income, or $2,800, whichever is less • Two-parent families, one working parent: enter zero	+	
14. **TOTAL ALLOWANCES**	=	

AVAILABLE INCOME		
Total Income (from line 7)		
Total allowances (from line 14)	–	
15. **AVAILABLE INCOME (AI)** May be a negative number	=	

*STOP HERE if both of the following are true: line 3 is $13,000 or less and the parents are eligible to file a 1999 IRS Form 1040 or 1040EZ (they are not required to file a 1999 Form 1040) or they are not required to file any income tax return. If both are true, the expected family contribution is automatically equal to zero.

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings, & checking (FAFSA/SAR #82)		
17. Net worth of investments** (FAFSA/SAR #83) If negative, enter zero		
18. Net worth of business (FAFSA/SAR #84) If negative, enter zero		
19. Net worth of investment farm (FAFSA/SAR #85) If negative, enter zero. If the family resides on the farm, enter zero		
20. Net worth of business/farm (sum of lines 18 and 19)		
21. Adjusted net worth of business/farm (Calculate using Table A4.)	+	
22. **Net worth** (sum of lines 16, 17, and 21)	=	
23. Education saving and assets protection allowance (Table A5)	–	
24. **Discretionary net worth** (line 22 minus line 23)	=	
25. **Asset conversion rate**	X	.12
26. **CONTRIBUTION FROM ASSETS** If negative, enter zero.	=	

PARENTS' CONTRIBUTION		
Available Income (AI) (from line 15)		
Contribution from assets (from line 26)	+	
27. Adjusted Available Income (AAI) May be a negative number	=	
28. Total parents' contribution from AAI (Calculate using Table A6; if negative, enter zero.)		
29. Number in college in 2000-01 (Exclude parents) (FAFSA/SAR #86)	÷	
30. **PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment)	=	

**Do not include the family's home.

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SIMPLIFIED WORKSHEET A
Page 2

STUDENT'S INCOME IN 1999		
31	Adjusted Gross Income (FAFSA/SAR #40)	
32	Income earned from work (FAFSA/SAR #44)	
33	Taxable Income (If tax filer, enter the amount from line 31 If non-tax filer, enter the amount from line 32.)	
34	Total from FAFSA Worksheet A (FAFSA/SAR #46)	
35	Taxable and untaxed income (sum of line 33 and line 34)	
36	Total from FAFSA worksheet B (FAFSA/SAR #47) –	
37.	**TOTAL INCOME** (line 35 minus line 36) May be a negative number. =	

ALLOWANCES AGAINST STUDENT'S INCOME		
38	1999, U.S. income tax paid (FAFSA/SAR #41) (tax filers only); if negative, enter zero	
39	State and other tax allowance (Table A7. If negative, enter zero.) +	
40	Social Security tax allowance (Table A2) +	
41	Income protection allowance) +	2,200
42	Allowance for parent's negative Adjusted Available Income (If line 27 is negative, enter line 27 as a positive number in line 42. If line 27 is positive, enter zero in line 42.) +	
43.	**TOTAL ALLOWANCES** =	

STUDENT'S CONTRIBUTION FROM INCOME		
Total Income (from line 37)		
Total allowances (from line 43)	–	
44.	**Available Income (AI)** =	
45.	**Assessment of AI** X	50
46.	**STUDENT CONTRIBUTION FROM AI** If negative enter zero =	

STUDENT'S CONTRIBUTION FROM ASSETS		
47.	Cash, savings, & checking (FAFSA/SAR #48)	
48.	Net worth of investments* (FAFSA/SAR #49) If negative, enter zero. +	
49.	Net worth of business (FAFSA/SAR #50) If negative, enter zero. +	
50.	Net worth of investment farm (FAFSA/SAR #51) If negative, enter zero. If the family resides on the farm, enter zero. +	
51.	Net worth (sum of lines 47 through 50) =	
52.	Assessment rate X	.35
53.	**STUDENT'S CONTRIBUTION FROM ASSETS** =	

EXPECTED FAMILY CONTRIBUTION		
PARENT'S CONTRIBUTION (from line 30)		
STUDENT'S CONTRIBUTION FROM AI (from line 46) +		
STUDENT'S CONTRIBUTION FROM ASSETS (from line 53) +		
54.	**EXPECTED FAMILY CONTRIBUTION** =	

*Do not include the student's home.

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2000-01 EFC FORMULA A: DEPENDENT STUDENT

NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET PAGE 3 **A**

Calculation of Parents' Contribution for a Student Enrolled for LESS than 9 Months		
A1. **Parents' contribution** (standard contribution for 9-month enrollment, from line 30)		
A2. Divide by 9	÷	9
A3. Parents' contribution per month	=	
A4. Multiple by number of months enrollment	X	
A5. Parents' contribution for LESS than 9-month enrollment	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than 9 Months		
B1. **Parents' Adjusted Available Income (AAI) (from line 27—may be a negative number)**		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	3,440
B3. Alternate parents' AAI for more than 9-month enrollment (line B1 + line B2)	=	
B4. Total parents' contribution from AAI (calculate from Table A-6, suing alternate AAI)		
B5. Number in college (FAFSA/SAR #66)	÷	
B6. Alternate parents' contribution for student	=	
B7. Standard parents' contribution for the student for 9-month enrollment (from line 30)	–	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	12
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	X	
B12. Adjustment to parents' contribution for months that exceed 9 (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for 9-month enrollment (from line 30)	+	
B14. **Parents' contribution for MORE than 9-month enrollment**	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled for LESS than 9 Months		
C1. **Student's contribution from Available Income (AI)** (standard contribution for 9-month enrollment, from line 46)		
C2. Divide by 9	÷	9
C3. Student's contribution from Available Income (AI) per month	=	
C4. Multiply by number of months enrollment	X	
C5. **Student's contribution from Available Income (AI) for LESS than 9-month enrollment**	=	

Use next page to calculate total EFC for enrollment periods other than 9 months

continued on reverse

SIMPLIFIED WORKSHEET
Page 4

Expected Family Contribution for periods of enrollment other than 9 months		
Parents' Contribution – use appropriate amount from previous page: • Enter amount from line A5 for enrollment periods less than 9 months • Enter amount from line B14 for enrollment periods greater than 9 months		
Student's Contribution from Available Income: • Enter amount from line C5 for enrollment periods less than 9 months • Enter amount from line 46 for enrollment periods greater than 9 months	+	
Expected Family Contribution (for periods of enrollment other than 9 months)	=	

Table A1: State and Other Tax Allowance

for EFC Formula Worksheet A (parents only)

STATE	PERCENT OF TOTAL INCOME		STATE	PERCENT OF TOTAL INCOME	
	$0-14,999	$15,000 or more		$0-14,999	$15,000 or more
Alabama	5%	4%	Missouri	6%	5%
Alaska	3%	2%	Montana	8%	7%
American Samoa	4%	3%	Nebraska	8%	7%
Arizona	6%	5%	Nevada	3%	2%
Arkansas	6%	5%	New Hampshire	7%	6%
California	8%	7%	New Jersey	8%	7%
Canada	4%	3%	New Mexico	6%	5%
Colorado	7%	6%	New York	11%	10%
Connecticut	6%	5%	North Carolina	8%	7%
Delaware	8%	7%	North Dakota	6%	5%
District of Columbia	10%	9%	Northern Mariana Islands	4%	3%
Federated States of Micronesia	4%	3%	Ohio	8%	7%
Florida	4%	3%	Oklahoma	6%	5%
Georgia	7%	6%	Oregon	10%	9%
Guam	4%	3%	Palau	4%	3%
Hawaii	8%	7%	Pennsylvania	7%	6%
Idaho	7%	6%	Puerto Rico	4%	3%
Illinois	6%	5%	Rhode Island	9%	8%
Indiana	6%	5%	South Carolina	8%	7%
Iowa	8%	7%	South Dakota	4%	3%
Kansas	7%	6%	Tennessee	3%	2%
Kentucky	7%	6%	Texas	3%	2%
Louisiana	4%	3%	Utah	8%	7%
Maine	9%	8%	Vermont	8%	7%
Marshall Islands	4%	3%	Virgin Islands	4%	3%
Maryland	9%	8%	Virginia	8%	7%
Massachusetts	9%	8%	Washington	4%	3%
Mexico	4%	3%	West Virginia	6%	5%
Michigan	9%	8%	Wisconsin	10%	9%
Minnesota	9%	8%	Wyoming	3%	2%
Mississippi	5%	4%	Blank or invalid State	4%	3%
			OTHER	4%	3%

Multiply parents' total income (from EFC formula Worksheet A, line 7) by the appropriate rate from the table above to get the "state and other tax allowance" (line 9 of Worksheet A). Use the parents' *state of legal residence* (FAFSA/SAR #67). If this item is blank or invalid, use the student's *state of legal residence* (FAFSA/SAR #25). If both items are blank or invalid, use the *state* in the student's mailing address (FAFSA/SAR #6). If all three items are blank or invalid, use the rate for a blank or invalid state above.

Table A2: Social Security Tax

Calculate separately the Social Security tax of father, mother, and student.

Income Earned from Work *	Social Security Tax
$0 - $72,600	7.65% of income
$72,601 or greater	$5,553.90 + 1.45% of amount over $72,600

* Father's 1999 income earned from work is FAFSA/SAR #78.
Mother's 1999 income earned from work is FAFSA/SAR #79.
Student's 1999 income earned from work is FAFSA/SAR #44.
Social Security tax will never be less than zero.

Table A3: Income Protection Allowance

Number in parents' household, including student (FAFSA/SAR #65)	Number of college students in household (FAFSA/SAR #66) Exclude parents from number in college				
	1	2	3	4	5
2	$12,450	$10,320	———	———	———
3	15,500	13,380	$11,250	———	———
4	19,140	17,010	14,890	$12,760	———
5	22,580	20,450	18,340	16,210	$14,090
6	26,420	24,290	22,170	20,040	17,920

NOTE: For each additional family member, add $2,980.
For each additional college student (except parents), subtract $2,120.

Table A4: Business/Farm Net Worth Adjustment

for EFC Formula Worksheet A (parents only)

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1 to $90,000	40% of net worth of business & farm
$90,001 to $265,000	$ 36,000 + 50% of excess over $90,000
$265,001 to $445,000	$123,500 + 60% of excess over $265,000
$445,001 or more	$231,500 + 100% of excess over $445,000

Table A5: Education Savings and Asset Protection Allowance

for EFC Formula Worksheet A (parents only)

age of older parent *	Allowance if there are two parents	Allowance if there is only one parent	*age of older parent* *	Allowance if there are two parents	Allowance if there is only one parent
25 or less..	0	0	45	44,400	27,400
26	2,600	1,600	46	45,600	28,100
27	5,200	3,300	47	46,700	28,700
28	7,800	4,900	48	47,900	29,300
29	10,500	6,600	49	49,100	30,000
30	13,100	8,200	50	50,300	30,700
31	15,700	9,800	51	51,900	31,400
32	18,300	11,500	52	53,200	32,200
33	20,900	13,100	53	54,800	33,000
34	23,500	14,800	54	56,200	33,800
35	26,100	16,400	55	57,900	34,700
36	28,700	18,000	56	59,700	35,600
37	31,400	19,700	57	61,500	36,400
38	34,000	21,300	58	63,400	37,500
39	36,600	23,000	59	65,300	38,500
40	39,200	24,600	60	67,200	39,400
41	39,900	25,200	61	69,600	40,600
42	40,900	25,800	62	71,600	41,700
43	42,000	26,300	63	74,100	42,900
44	43,100	26,900	64	76,600	44,100
			65 or more	78,900	45,500

* *age of older parent* is FAFSA/SAR #70; if blank, use age 45 on the table

Table A6: Parents' Contribution From AAI

If parents' AAI is—	The parents' contribution from AAI is—
Less than -$3,409	-$750
-$3,409 to $11,100	22% of AAI
$11,101 to $14,000	$2,442 + 25% of AAI over $11,100
$14,001 to $16,800	$3,167 + 29% of AAI over $14,000
$16,801 to $19,600	$3,979 + 34% of AAI over $16,800
$19,601 to $22,500	$4,931 + 40% of AAI over $19,600
$22,501 or more	$6,091 + 47% of AAI over $22,500

Table A7: State and Other Tax Allowance
for EFC Formula Worksheet A (student only)

Alabama	3%	Missouri	3%
Alaska	0%	Montana	5%
American Samoa	2%	Nebraska	4%
Arizona	3%	Nevada	0%
Arkansas	4%	New Hampshire	1%
California	5%	New Jersey	3%
Canada	2%	New Mexico	4%
Colorado	4%	New York	7%
Connecticut	2%	North Carolina	5%
Delaware	5%	North Dakota	2%
District of Columbia	7%	Northern Mariana Islands	2%
Federated States of Micronesia	2%	Ohio	5%
Florida	1%	Oklahoma	4%
Georgia	4%	Oregon	6%
Guam	2%	Palau	2%
Hawaii	6%	Pennsylvania	3%
Idaho	5%	Puerto Rico	2%
Illinois	2%	Rhode Island	4%
Indiana	4%	South Carolina	5%
Iowa	5%	South Dakota	0%
Kansas	4%	Tennessee	0%
Kentucky	5%	Texas	0%
Louisiana	2%	Utah	5%
Maine	5%	Vermont	4%
Marshall Islands	2%	Virgin Islands	2%
Maryland	6%	Virginia	4%
Massachusetts	5%	Washington	0%
Mexico	2%	West Virginia	4%
Michigan	4%	Wisconsin	5%
Minnesota	6%	Wyoming	0%
Mississippi	3%	Blank or Invalid State	2%
		OTHER	2%

Multiply the total income of student (EFC Formula Worksheet A, line 37) by the appropriate rate from the table above to get the "state and other tax allowance" (line 39 of Worksheet A). Use the student's *state of legal residence* (FAFSA/SAR #25). If this item is blank or invalid, use the *state* in student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the parents' *state of legal residence* (FAFSA/SAR #67). If all three items are blank or invalid, use the rate for a blank or invalid state above.

FORMULA FOR INDEPENDENT STUDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE

Formula for Independent Student without Dependents other than a Spouse Cite
Sec. 476

The EFC for an independent student without dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA. The CPS calculates a contribution from available income, and a contribution from assets. The sum of these two is divided by the number in college in 2000-2001, as reported on the FAFSA. The result is the EFC for the 2000-2001 award period. Under the simplified formula, the contribution from assets isn't used.

At the end of this section are worksheets and tables that can be used to calculate the EFC for an independent student without dependents other than a spouse. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are greyed out.

Contribution from Available Income

To determine the student's contribution from available income, the student's available income is first calculated by subtracting total allowances from the student's total income. The allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number. The available income is then assessed at a rate of 50% to obtain the student's contribution from available income.

Total Income

The total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see Chapter 6 of this publication for more on these exclusions). If the student and spouse are taxfilers, their AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not taxfilers, the calculation uses reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. Note that "earned income credit" is included as part of total untaxed income and benefits only if the student or spouse are taxfilers. Total income can be a negative number.

Total Income Examples

Elizabeth is married, but has no other dependents. Her AGI is $35,000; her income earned from work is $10,000 and her husband's income earned from work is $25,000. She reported no untaxed income on the FAFSA, so her total taxable and untaxed income is $35,000. She reported $6,000 in exclusions on the FAFSA in question 47; therefore, her total income is $29,000.

Doug is a graduate student, and has no dependents. He didn't file a tax return, so he has no AGI. His income earned from work is $4,000. He reports no untaxed income and no exclusions on the FAFSA, so his total income is $4,000. Because Doug's parents have been paying his expenses, the FAA at Guerrero University makes an adjustment to Doug's application to account for their support. The FAA adds $12,000 as untaxed income. After the adjustment, Doug's total taxable and untaxed income is $16,000. He still has no exclusions on the FAFSA, so his total income is $16,000.

Allowances Against Income

Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it's set to zero.

- **State and other tax allowance.** Use Table B1. This allowance is a percentage of the student and spouse's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2%). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table B2 to the student's income earned from work in 1999 and the spouse's income earned from work in 1999 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** The income protection allowance for an unmarried student is $5,000. For a married student, the income protection allowance is $5,000 if the student's spouse is enrolled at least half time and $8,000 if the student's spouse isn't enrolled at least half time.

- **Employment expense allowance.** Families with two working spouses have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. If the student isn't married, the employment expense allowance is zero. If the student is married but only one person is working (either the student or the student's spouse), the allowance is zero. If both the student and his or her spouse are working, the allowance is 35% of the lesser of the student's

Allowances and Contribution from Available Income Examples

Elizabeth reported income tax paid of $3,371. Her state of legal residence is Ohio, so her state and other tax allowance is $29,000 x 5% = $1,450. Her Social Security tax allowance is $10,000 x 7.65% = $765, and her husband's Social Security tax allowance is $25,000 x 7.65% = $1913. Her husband isn't enrolled at least half time, so her income protection allowance is $8,000. Her employment expense allowance is $2,800, because 35% of her income is $3,500. Elizabeth's total allowances equal $18,299. Her available income is $29,000 - $18,299 = $10701, and her contribution from income is $10701, x 50% = $5,351.

Doug reported zero U.S. income tax paid on the FAFSA. His state of legal residence is Florida, so on his original application his state and other tax allowance is $4,000 x 1% = $40. Doug's Social Security tax allowance is $4,000 x 7.65%=$306. His income protection allowance is $5,000, and his employment expense allowance is zero. Doug's total allowances equal $5,346. His available income is $4,000 - $5,346= -$1,346, and his contribution from income is -$1,346 x 50% = -$673. After the FAA at Guerrero makes her professional judgment adjustment, his state and other tax allowance is $16,000 x 1% = $160. The other allowances are the same as before, and now Doug's total allowances equal $5,466. His available income is $16,000 - $5,466 = $10,534, and his contribution from income is $10,534 x 50% = $5,267.

income earned from work (question 44) or the spouse's income earned from work (question 45), but may not exceed $2,800.

Contribution from Assets

For students who qualify for the simplified formula, there is no contribution from assets. In the full formula, the assets of an independent student with no dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs.

First, the **net worth** of the student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table B3 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table B4) from the net worth. The allowance increases with the age of the student as of December 31, 2000, which may be determined from the student's date of birth (as reported on the FAFSA). This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 35% to obtain the student and spouse's contribution from assets, which represents the portion of the value of the assets that is considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it's set to zero.

Contribution from Assets Examples

Elizabeth reported $900 for cash, savings, and checking on the FAFSA. Her husband also has a business with a negative net worth; following the instructions on the FAFSA, she reported this net worth as zero. The adjusted net worth of the business (the amount to be used in the EFC calculation) is also zero. Elizabeth is 24 years old, so her asset protection allowance is $0. Her discretionary net worth is $900 - $0 = $900. Multiplying this by the conversion rate of 35%, her contribution from assets is $315. Because Elizabeth and her husband were required to complete a 1040, Elizabeth doesn't qualify for the simplified formula.

Doug reported $20 for cash, savings, and checking on the FAFSA. He reported no other assets. He's 29 years old as of December 31, 1999, so his asset protection allowance is $6,400. His discretionary net worth is -$6,380; multiplying that amount by the conversion rate of 35% results in a negative number. Because the result is negative, Doug's contribution from assets is zero. Doug qualifies for the simplified formula, but because the contribution from assets is zero the EFC from the two formulas will be the same.

Final EFC Examples

Elizabeth's contribution from income and assets is $5,726 + $315 = $6,041. Because there's only one person in college, her EFC is also 6,041. If her husband were also enrolled in college, her income protection allowance would have been lower ($4,250), so her available income would be higher. Her contribution from income would have been $7,226, and her contribution from income and assets would have been $7,541. Because there would be two household members in college, this amount would have been divided by 2 to determine Elizabeth's EFC, 3,771.

On Doug's original application, his contribution from income and assets is –$298 + 0 = -$298. Dividing this by the number in college, 1, the EFC would be –298. Because this amount is less than zero, it's set to zero, and Doug's EFC is zero. After the FAA adjusts Doug's application to add in support from his parents, his contribution from income and assets is $5,642 + 0 = $5,642. Because there's only one person in college, this is also his EFC, $5,642.

Alternate EFCs for other than 9-month enrollment

The standard EFC is for a 9-month enrollment period. If the student will be enrolled for less than 9 months, the EFC is simply prorated by dividing it by 9 and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than 9 months, however, the EFC will now remain at the 9-month amount.

DRAFT

2000-01 EFC FORMULA B: INDEPENDENT STUDENT
Without Dependent(s) Other Than A Spouse

REGULAR WORKSHEET **B**

STUDENT/SPOUSE INCOME IN 1999		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #40)		
2. a. Student's income earned from work (FAFSA/SAR #44)		
2. b. Spouse's income earned from work (FAFSA/SAR #45)	+	
Total student/spouse income earned from work	= 2.	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		
4. Untaxed income and benefits: • Earned Income Credit (tax filers only) (FAFSA/SAR #43)		
• Total from FAFSA Worksheet A (FAFSA/SAR #46)	+	
Total untaxed income and benefits	= 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total from FAFSA Worksheet B (FAFSA/SAR #47)	-	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 1999 U.S. income tax paid (FAFSA/SAR #41) (tax filers only); if negative, enter zero.		
9. State and other tax allowance (Table B1. If negative, enter zero.)	+	
10. Student's Social Security tax (Table B2)	+	
11. Spouse's Social Security tax (Table B2)	+	
12. Income protection allowance: • $5,000 for unmarried student; • $5,000 for married student if the spouse is enrolled at least 1/2 time; • $8,000 for married student if the spouse isn't enrolled at least 1/2 time	+	
13. Employment expense allowance: • If student is not married, allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or $2,800, whichever is less.	+	
14. TOTAL ALLOWANCES	=	

CONTRIBUTION FROM AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	-	
15. AVAILABLE INCOME (AI)	=	
16. Assessment rate	X	.50
17. CONTRIBUTION FROM AI May be a negative number.	=	

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS		
18. Cash, savings, & checking (FAFSA/SAR #48)		
19. Net worth of investments* (FAFSA/SAR #49) If negative, enter zero.		
20. Net worth of business (FAFSA/SAR #50) If negative, enter zero.		
21. Net worth of investment farm (FAFSA/SAR #51) If negative, enter zero. If the family resides on the farm, enter zero.		
22. Net worth of business/farm (sum of lines 20 and 21)		
23. Adjusted net worth of business/farm (Calculate using Table B3.)		
24. Net worth (sum of lines 18, 19, and 23)	=	
25. Asset protection allowance (Table B4)	-	
26. Discretionary net worth (line 24 minus line 25)	=	
27. Asset conversion rate	X	.35
28. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

EXPECTED FAMILY CONTRIBUTION		
Contribution from AI (from line 17) May be a negative number.		
Contribution from assets (from line 28)	+	
29. Contribution from AI and assets	=	
30. Number in college in 2000-01 (FAFSA/SAR #87)	÷	
31. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (if negative, enter zero) **	=	

*Do not include the student's home.

**To calculate the student's contribution for other than 9-month enrollment, see the next page.

NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months		
Expected Family Contribution (standard contribution for 9-month enrollment, from line 31)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

2000-01 EFC FORMULA B : INDEPENDENT STUDENT
Without Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET **B**

STUDENT/SPOUSE INCOME IN 1999

1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #40)		
2. a. Student's income earned from work (FAFSA/SAR #44)		
2. b. Spouse's income earned from work (FAFSA/SAR #45)	+	
Total student/spouse income earned from work	= 2.	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		
4. Untaxed income and benefits: • Earned Income Credit (tax filers only) (FAFSA/SAR #43)		
• Total from FAFSA Worksheet A (FAFSA/SAR #46)	+	
Total untaxed income and benefits	= 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total from FAFSA Worksheet B (FAFSA/SAR #47)	-	
7. **TOTAL INCOME** (line 5 minus line 6). May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

8. 1999 U.S. income tax paid (FAFSA/SAR #41) (tax filers only); if negative, enter zero.		
9. State and other tax allowance (Table B1. If negative, enter zero.)	+	
10. Student's Social Security tax (Table B2)	+	
11. Spouse's Social Security tax (Table B2)	+	
12. Income protection allowance: • $5,000 for unmarried student; • $5,000 for married student if the spouse is enrolled at least 1/2 time; • $8,000 for married student if the spouse isn't enrolled at least 1/2 time	+	
13. Employment expense allowance: • If student is not married, allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes or $2,800, whichever is less.	+	
14. **TOTAL ALLOWANCES**	=	

CONTRIBUTION FROM AVAILABLE INCOME

Total income (from line 7)		
Total allowances (from line 14)	-	
15. **AVAILABLE INCOME (AI)**	=	
16. Assessment rate	X	.50
17. **CONTRIBUTION FROM AI** May be a negative number.	=	

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS

18. Cash, savings, & checking (FAFSA/SAR #48)		
19. Net worth of investments* (FAFSA/SAR #49) If negative, enter zero.		
20. Net worth of business (FAFSA/SAR #50) If negative, enter zero.		
21. Net worth of investment farm (FAFSA/SAR #51) If negative, enter zero. If the family resides on the farm, enter zero.		
22. Net worth of business/farm (sum of lines 20 and 21)		
23. Adjusted net worth of business/farm (Calculate using Table B3.)		
24. **Net worth** (sum of lines 18, 19, and 23)	=	
25. **Asset** protection allowance (Table B4)	-	
26. **Discretionary net worth** (line 24 minus line 25)	=	
27. **Asset** conversion rate	X	.35
28. **CONTRIBUTION FROM ASSETS** If negative, enter zero.	=	

EXPECTED FAMILY CONTRIBUTION

Contribution from AI (from line 17) May be a negative number.		
Contribution from assets (from line 28)	+	
29. **Contribution from AI and assets**	=	
30. **Number in college in 2000-01** (FAFSA/SAR #87)	÷	
31. **EXPECTED FAMILY CONTRIBUTION** for 9-month enrollment (if negative, enter zero) * *	=	

*Do not include the student's home.

* *To calculate the student's contribution for other than 9-month enrollment, see the next page.

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NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months		
Expected Family Contribution (standard contribution for 9-month enrollment, from line 31)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

Table B1: State and Other Tax Allowance

Alabama	3%	Missouri	3%
Alaska	0%	Montana	5%
American Samoa	2%	Nebraska	4%
Arizona	3%	Nevada	0%
Arkansas	4%	New Hampshire	1%
California	5%	New Jersey	3%
Canada	2%	New Mexico	4%
Colorado	4%	New York	7%
Connecticut	2%	North Carolina	5%
Delaware	5%	North Dakota	2%
District of Columbia	7%	Northern Mariana Islands	2%
Federated States of Micronesia	2%	Ohio	5%
Florida	1%	Oklahoma	4%
Georgia	4%	Oregon	6%
Guam	2%	Palau	2%
Hawaii	6%	Pennsylvania	3%
Idaho	5%	Puerto Rico	2%
Illinois	2%	Rhode Island	4%
Indiana	4%	South Carolina	5%
Iowa	5%	South Dakota	0%
Kansas	4%	Tennessee	0%
Kentucky	5%	Texas	0%
Louisiana	2%	Utah	5%
Maine	5%	Vermont	4%
Marshall Islands	2%	Virgin Islands	2%
Maryland	6%	Virginia	4%
Massachusetts	5%	Washington	0%
Mexico	2%	West Virginia	4%
Michigan	4%	Wisconsin	5%
Minnesota	6%	Wyoming	0%
Mississippi	3%	Blank or invalid State	2%
		OTHER	2%

Multiply the total income of student and spouse (EFC Formula Worksheet B, line 7) by the appropriate rate from table above to get the "state and other tax allowance" (line 9 of Worksheet B). Use the student's *state of legal residence* (FAFSA/SAR #25) reported on the FAFSA. If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use rate for blank or invalid state above.

Table B2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

Income Earned from Work *	Social Security Tax
$0 - $72,600	7.65% of income
$72,601 or greater	$5,553.90 + 1.45% of amount over $72,600

* Student's 1999 income earned from work is FAFSA/SAR #44.
Spouse's 1999 income earned from work is FAFSA/SAR #45.
Social Security tax will never be less than zero.

Table B3: Business/Farm Net Worth Adjustment

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1 to $90,000	40% of net worth of business & farm
$90,001 to $265,000	$ 36,000 + 50% of excess over $90,000
$265,001 to $445,000	$123,500 + 60% of excess over $265,000
$445,001 or more	$231,500 + 100% of excess over $445,000

Table B4
Asset Protection Allowance

Age of student as of 12/31/00 *	Allowance for— Married Student	Unmarried Student
25 or less..	0	0
26	2,600	1,600
27	5,200	3,300
28	7,800	4,900
29	10,500	6,600
30	13,100	8,200
31	15,700	9,800
32	18,300	11,500
33	20,900	13,100
34	23,500	14,800
35	26,100	16,400
36	28,700	18,000
37	31,400	19,700
38	34,000	21,300
39	36,600	23,000
40	39,200	24,600
41	39,900	25,200
42	40,900	25,800
43	42,000	26,300
44	43,100	26,900
45	44,400	27,400
46	45,600	28,100
47	46,700	28,700
48	47,900	29,300
49	49,100	30,000
50	50,300	30,700
51	51,900	31,400
52	53,200	32,200
53	54,800	33,000
54	56,200	33,800
55	57,900	34,700
56	59,700	35,600
57	61,500	36,400
58	63,400	37,500
59	65,300	38,500
60	67,200	39,400
61	69,600	40,600
62	71,600	41,700
63	74,100	42,900
64	76,600	44,100
65 or more	78,900	45,500

* Determine student's age as of 12/31/00 from student's date of birth (FAFSA/SAR #9)

Formula for Independent Student with Dependents other than a Spouse Cite
Sec. 477

FORMULA FOR INDEPENDENT STUDENT WITH DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student with dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA. The formula is almost the same as the formula for the parents of a dependent student. There are three basic steps. First, the student's available income is determined. Then, the student's contribution from assets is calculated. Finally, the EFC is calculated using the available income, the contribution from assets, and the number in college.

At the end of this section are worksheets and tables that can be used to calculate the EFC for an independent student without dependents other than a spouse. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are greyed out.

Available Income

Available income is calculated by subtracting certain allowances from the student's total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

Student's total income

The student's total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see Chapter 6 of this publication for more information on these exclusions). If the student and spouse are taxfilers, AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not taxfilers, the calculation uses reported income earned from work. Note that "earned income credit" is included as part of total untaxed income and benefits only if the student and spouse are taxfilers. Total income can be a negative number.

Allowances against income

Total allowances are calculated by adding the following:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table C1. This allowance is a percentage of the total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the total income is below $15,000 or is $15,000 or more. The state to be used is the student's state of legal residence reported on the

Total Income Examples

Allen is married and has two children. He reports an AGI of $55,000 on the FAFSA. His income earned from work is $15,000 and his wife's income earned from work is $40,000. He also listed $1,000 in untaxed income on the FAFSA in question 46. His total taxable and untaxed income is $56,000. He reported no exclusions on the FAFSA in question 47; therefore, his total income is $56,000.

Eddy is an independent student. He and his wife are separated, but his nephew Chavo is his dependent. He reported an AGI of $33,000 on the FAFSA, and also reported income earned from work of $12,500. He listed no untaxed income and no exclusions, so his total income is $33,000. However, Eddy's application is selected for verification. When Guerrero University receives Eddy's tax form, it discovers that the AGI Eddy reported included his wife's income. Guerrero determines that Eddy should have reported an AGI of $12,950. He still has no untaxed income or exclusions, so when he makes the correction his total income will be $12,950.

FAFSA. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (4% for total income below $15,000; 3% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table C2 to the student's income earned from work and the spouse's income earned from work in 1999 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table C3. This allowance is a provision for the basic living expenses of a family. The allowance varies according to the number in the student's household and the number in college in 2000-2001, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").

- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35% of the lesser of the student's income earned from work (question 44) or the spouse's income earned from work (question 45), but may not exceed $2,800. If the student isn't married, the allowance is 35% of the student's income earned from work, or $2,800, whichever is less. If a student is married and only the student *or* the spouse (but not both) reports an income earned from work, the

Allowance and Available Income Examples

Allen reported on the FAFSA that he paid $5,569 in U.S. income tax. He lives in New York, so the percentage he uses for calculating state and local taxes is 10%. His allowance for state and local taxes is $56,000 x 10%=$5,600. His Social Security tax allowance is $15,000 x 7.65%=$1,148; his wife's Social Security tax allowance is $40,000 x 7.65%=$3,060. He reported a household size of four, with one household member in college, so his income protection allowance is $19,174. His employment expense allowance is $2,800, because 35% of his income (the lower of the two) is $5,250. Therefore, the total allowances used in calculating Allen's EFC are $37,317. His available income is $18,683.

Eddy reported $1,864 U.S. income tax paid on the FAFSA. He lives in Florida, so the percentage he uses for calculating state and local taxes is 3%. His allowance for state and local taxes is $33,000 x 3% = $990. His Social Security tax allowance is $12,500 x 7.65%=$956. His household size is two, with two in college, so his income protection allowance is $10,320. Because he's not married, his employment expense allowance is $2,800 (35% of his income earned from work is $4,375). The total allowances used in calculating Eddy's EFC on his original application are $16,930, and his available income is $16,070. In verifying Eddy's application, Guerrero discovers that the amount Eddy reported for taxes paid included tax on his wife's income. Because they're separated, he should only have included his own part of the U.S. income tax paid, which was $197. Also, when he makes the income correction, his allowance for state and local taxes will be $12,950 x 4% = $518. The other allowances are still the same, so his total allowances when he makes the correction will be $14,791, and his available income will be -$1,841.

allowance is zero. The employment expense allowance is never less than zero.

Contribution from Assets

In the full formula, the assets of an independent student with dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs. The formula evaluates the family's asset situation and determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strengths. In the simplified formula, the assets aren't counted at all.

First, the **net worth** of a student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or farm is adjusted to protect a portion of these assets. Use Table C4 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table C5) from the net worth. The allowance increases with the age of the student as of December 31, 2000, which may be determined from the student's date of birth (as reported on the FAFSA). This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to obtain the **contribution from assets,** which represents

Contribution from Assets Examples

Allen reported $4,000 for cash, savings, and checking on the FAFSA. He also reported $15,000 for the net worth of investments. His net worth is $19,000. Allen is 32, so his asset protection allowance is $18,300. His discretionary net worth is $19,000 - $18,300 = $700. Multiplying this by the conversion rate of 12%, his contribution from assets is $84.

Eddy reported $100 for cash, savings, and checking on the FAFSA. He reported no other assets. His net worth is $100. Eddy is 28, so his asset protection allowance is $4,900. His discretionary net worth is $100 - $4,900 = -$4,800. Multiplying this by the conversion rate of 12% produces a negative number, so Eddy's contribution from assets is zero. Eddy qualifies for the simplified formula, but the secondary EFC he gets will be the same as the primary EFC.

the portion of the value of the student and spouse's assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

Calculation of Student's EFC

This is the final step in determining the EFC for the independent student with dependents other than a spouse. The available income and the contribution from assets are added together to obtain the adjusted available income. The adjusted available income can be a negative number. The total contribution from adjusted available income is calculated from using Table C6. This is the total amount the student's family is expected to contribute toward family postsecondary educational costs. The rates in Table C6 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. The larger the income, the easier it is for a family to contribute toward postsecondary educational costs with less effect on the maintenance of the family.

The EFC is calculated by dividing the total student's contribution from adjusted available income by the number in college in 2000-2001, as reported on the FAFSA. The result is the EFC for the 2000-2001 award period.

EFC Calculation Examples

Allen's available income is $18,683 and his contribution from assets is $84, so his adjusted available income is $19,153. The total contribution from adjusted available income is $3,979 + ($1,967 x 34%)=$4,648. Because the number of household members in college is one, Allen's EFC is also 4,648.

Eddy's available income from his original application $16,070, and his contribution from assets is zero. His adjusted available income is $16,070. The total contribution from adjusted available income is $3,167 + ($2,070 x 29%) = $3,767. Because there are two household members in college, the total contribution from adjusted available income is divided by two to produce the EFC, so Eddy's EFC is 1,884. After he fixes the problems discovered through verification, his available income is -$1,841. His contribution from assets is still zero, so his adjusted available income is -$1,841. According to Table C6, Eddy's total contribution from adjusted available income is -$1,841 x 22% = -$405. Because this amount is negative, the total contribution from adjusted available income is set to zero. Dividing this by two results in an EFC of zero.

Alternate EFCs for other than 9-month enrollment

The standard EFC is for a 9-month enrollment period. If the student will be enrolled for less than 9 months, the EFC is simply prorated by dividing it by 9 and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than 9 months, however, the EFC will now remain at the 9-month amount.

2000-01 EFC FORMULA C: INDEPENDENT STUDENT
With Dependent(s) Other Than A Spouse

REGULAR WORKSHEET **C**

STUDENT/SPOUSE INCOME IN 1999		
1.	**Student's and spouse's Adjusted Gross Income** (FAFSA/SAR #40)	
2.	**a.** Student's income earned from work (FAFSA/SAR #44)	
2.	**b.** Spouse's income earned from work (FAFSA/SAR #45) +	
	Total student/spouse income earned from work = 2.	
3.	Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*	
4.	Untaxed income and benefits: • Earned Income Credit (tax filers only) (FAFSA/SAR #43)	
	• Total from FAFSA Worksheet A (FAFSA/SAR #46) +	
	Total untaxed income and benefits = 4.	
5.	Taxable and untaxed income (sum of line 3 and line 4)	
6.	Total from FAFSA Worksheet B (FAFSA/SAR #47) -	
7.	**TOTAL INCOME** (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8.	1999 U.S. income tax paid (FAFSA/SAR #41) (tax filers only); if negative, enter zero.	
9.	State and other tax allowance (Table C1. If negative, enter zero.) +	
10.	Student's Social Security tax (Table C2) +	
11.	Spouse's Social Security tax (Table C2) +	
12.	Income protection allowance (Table C3) +	
13.	Employment expense allowance: • Student and spouse both working: 35% of the lesser of the earned incomes, or $2,800, whichever is less	
	• One-parent families: 35% of earned income, or $2,800, whichever is less	
	• Student or spouse working (not both): zero +	
14.	**TOTAL ALLOWANCES** =	

AVAILABLE INCOME		
	Total income (from line 7)	
	Total allowances (from line 14) -	
15.	**AVAILABLE INCOME (AI)** May be a negative number. =	

*STOP HERE if **both** of the following are true: line 3 is $13,000 or less **and** the student & spouse are eligible to file a 1999 IRS Form 1040A or 1040EZ (they are not required to file a 1999 Form 1040) or they are not required to file any income tax return—the student's EFC is zero.

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS		
16.	Cash, savings, & checking (FAFSA/SAR #48)	
17.	Net worth of investments** (FAFSA/SAR #49) If negative, enter zero.	
18.	Net worth of business (FAFSA/SAR #50) If negative, enter zero.	
19.	Net worth of investment farm (FAFSA/SAR #51) If negative, enter zero. If the family resides on the farm, enter zero.	
20.	Net worth of business/farm (sum of lines 18 and 19)	
21.	Adjusted net worth of business/farm (Calculate using Table C4.) +	
22.	**Net worth** (sum of lines 16, 17, and 21) =	
23.	Asset protection allowance (Table C5) -	
24.	**Discretionary net worth** (line 22 minus line 23) =	
25.	Asset conversion rate X	.12
26.	**CONTRIBUTION FROM ASSETS** If negative, enter zero. =	

EXPECTED FAMILY CONTRIBUTION		
	Available Income (AI) (from line 15)	
	Contribution from assets (from line 26) +	
27.	**Adjusted Available Income (AAI)** May be a negative number =	
28.	**Total contribution from AAI** (Calculate using Table C6. If negative, enter zero.)	
29.	**Number in college in 2000-01** (FAFSA/SAR #87) ÷	
30.	**EXPECTED FAMILY CONTRIBUTION** for 9-month enrollment *** =	

**Do not include the student's home.

***To calculate the EFC for other than 9-month enrollment, see the next page.

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5 *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 2 **C**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months

Expected Family Contribution (standard contribution for 9-month enrollment, from line 30)		
Divide by 9	+	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

2000-01 EFC FORMULA C: INDEPENDENT STUDENT
With Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET **C**

STUDENT/SPOUSE INCOME IN 1999		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #40)		
2. a. Student's income earned from work (FAFSA/SAR #44)		
2. b. Spouse's income earned from work (FAFSA/SAR #45)	+	
Total student/spouse income earned from work	= 2.	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Untaxed income and benefits: • Earned Income Credit (tax filers only) (FAFSA/SAR #43)		
• Total from FAFSA Worksheet A (FAFSA/SAR #46)	+	
Total untaxed income and benefits	= 4.	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total from FAFSA Worksheet B (FAFSA/SAR #47)	-	
7. TOTAL INCOME (line 5 minus line 6). May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 1999 U.S. income tax paid (FAFSA/SAR #41) (tax filers only); if negative, enter zero.		
9. State and other tax allowance (Table C1. If negative, enter zero.)	+	
10. Student's Social Security tax (Table C2)	+	
11. Spouse's Social Security tax (Table C2)	+	
12. Income protection allowance (Table C3)	+	
13. Employment expense allowance: • Student and spouse both working: 35% of the lesser of the earned incomes, or $2,800, whichever is less • One-parent families: 35% of earned income, or $2,800, whichever is less)		
• Student or spouse working (not both): zero	+	
14. TOTAL ALLOWANCES	=	

AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	-	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

*STOP HERE if **both** of the following are true: line 3 is $13,000 or **less and** the student & spouse are eligible to file a 1999 IRS Form 1040A or 1040EZ (they are not required to file a 1999 Form 1040) or they are not required to file any income tax return—the student's EFC is zero.

STUDENT/SPOUSE CONTRIBUTION FROM ASSETS		
16. Cash, savings, & checking (FAFSA/SAR #48)		
17. Net worth of investments** (FAFSA/SAR #49) If negative, enter zero.		
18. Net worth of business (FAFSA/SAR #50) If negative, enter zero.		
19. Net worth of investment farm (FAFSA/SAR #51) If negative, enter zero. If the family resides on the farm, enter zero.		
20. Net worth of business/farm (sum of lines 18 and 19)		
21. Adjusted net worth of business/farm (Calculate using Table C4.)	+	
22. **Net worth** (sum of lines 16, 17, and 21)	=	
23. **Asset protection allowance** (Table C5)	-	
24. **Discretionary net worth** (line 22 minus line 23)	=	
25. **Asset conversion rate**	X	.12
26. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

EXPECTED FAMILY CONTRIBUTION		
Available Income (AI) (from line 15)		
Contribution from assets (from line 26)	+	
27. **Adjusted Available Income (AAI)** May be a negative number	=	
28. **Total contribution from AAI** (Calculate using Table C6; if negative, enter zero.)		
29. **Number in college in 2000-01** (FAFSA/SAR #87)	÷	
30. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment ***	=	

**Do not include the family's home.

***To calculate the EFC for other than 9-month enrollment, see the next page.

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NOTE: *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 2 **C**

Calculation of Expected Family Contribution for a Student Enrolled for Other than 9 Months		
Expected Family Contribution (standard contribution for 9-month enrollment, from line 30)		
Divide by 9	÷	9
Expected Family Contribution per month	=	
Multiply by number of months enrollment	X	
Expected Family Contribution for other than 9-month enrollment	=	

Table C1: State and Other Tax Allowance

STATE	PERCENT OF TOTAL INCOME		STATE	PERCENT OF TOTAL INCOME	
	$0-14,999	$15,000 or more		$0-14,999	$15,000 or more
Alabama	5%	4%	Missouri	6%	5%
Alaska	3%	2%	Montana	8%	7%
American Samoa	4%	3%	Nebraska	8%	7%
Arizona	6%	5%	Nevada	3%	2%
Arkansas	6%	5%	New Hampshire	7%	6%
California	8%	7%	New Jersey	8%	7%
Canada	4%	3%	New Mexico	6%	5%
Colorado	7%	6%	New York	11%	10%
Connecticut	6%	5%	North Carolina	8%	7%
Delaware	8%	7%	North Dakota	6%	5%
District of Columbia	10%	9%	Northern Mariana Islands	4%	3%
Federated States of Micronesia	4%	3%	Ohio	8%	7%
Florida	4%	3%	Oklahoma	6%	5%
Georgia	7%	6%	Oregon	10%	9%
Guam	4%	3%	Palau	4%	3%
Hawaii	8%	7%	Pennsylvania	7%	6%
Idaho	7%	6%	Puerto Rico	4%	3%
Illinois	6%	5%	Rhode Island	9%	8%
Indiana	6%	5%	South Carolina	8%	7%
Iowa	8%	7%	South Dakota	4%	3%
Kansas	7%	6%	Tennessee	3%	2%
Kentucky	7%	6%	Texas	3%	2%
Louisiana	4%	3%	Utah	8%	7%
Maine	9%	8%	Vermont	8%	7%
Marshall Islands	4%	3%	Virgin Islands	4%	3%
Maryland	9%	8%	Virginia	8%	7%
Massachusetts	9%	8%	Washington	4%	3%
Mexico	4%	3%	West Virginia	6%	5%
Michigan	9%	8%	Wisconsin	10%	9%
Minnesota	9%	8%	Wyoming	3%	2%
Mississippi	5%	4%	Blank or invalid State	4%	3%
			OTHER	4%	3%

Multiply the total income of student and spouse (from EFC Formula Worksheet C, line 7) by the appropriate rate from the table above to get the "state and other tax allowance." Use the student's *state of legal residence* (FAFSA/SAR #25) reported on the FAFSA. If this item is blank or invalid, use the *state* in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for blank or invalid state above.

Table C2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

Income Earned from Work *	Social Security Tax
$0 - $72,600	7.65% of income
$72,601 or greater	$5,553.90 + 1.45% of amount over $72,600

* Student's 1999 income earned from work is FAFSA/SAR #44.
Spouse's 1999 income earned from work is FAFSA/SAR #45.
Social Security tax will never be less than zero.

Table C3: Income Protection Allowance

Number in student's household, including student (FAFSA/SAR #86)	Number of college students in household (FAFSA/SAR #87)				
	1	2	3	4	5
2	$12,450	$10,320	———	———	———
3	15,500	13,380	$11,250	———	———
4	19,140	17,010	14,890	$12,760	———
5	22,580	20,450	18,340	16,210	$14,090
6	26,420	24,290	22,170	20,040	17,920

NOTE: For each additional family member, add $2,980.
For each additional college student, subtract $2,120.

Table C4: Business/Farm Net Worth Adjustment

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1 to $90,000	40% of net worth of business & farm
$90,001 to $265,000	$ 36,000 + 50% of excess over $90,000
$265,001 to $445,000	$123,500 + 60% of excess over $265,000
$445,001 or more	$231,500 + 100% of excess over $445,000

Table C5: Asset Protection Allowance

Age of student as of 12/31/00*	Allowance for— Married Student	Unmarried Student	Age of student as of 12/31/00*	Allowance for— Married Student	Unmarried Student
25 or less	0	0	45	44,400	27,400
26	2,600	1,600	46	45,600	28,100
27	5,200	3,300	47	46,700	28,700
28	7,800	4,900	48	47,900	29,300
29	10,500	6,600	49	49,100	30,000
30	13,100	8,200	50	50,300	30,700
31	15,700	9,800	51	51,900	31,400
32	18,300	11,500	52	53,200	32,200
33	20,900	13,100	53	54,800	33,000
34	23,500	14,800	54	56,200	33,800
35	26,100	16,400	55	57,900	34,700
36	28,700	18,000	56	59,700	35,600
37	31,400	19,700	57	61,500	36,400
38	34,000	21,300	58	63,400	37,500
39	36,600	23,000	59	65,300	38,500
40	39,200	24,600	60	67,200	39,400
41	39,900	25,200	61	69,600	40,600
42	40,900	25,800	62	71,600	41,700
43	42,000	26,300	63	74,100	42,900
44	43,100	26,900	64	76,600	44,100
			65 or more	78,900	45,500

* Determine student's age as of 12/31/00 from student's date of birth (FAFSA/SAR #9)

Table C6: Contribution From AAI

If student's AAI is—	The student's contribution from AAI is—
Less than -$3,409	-$750
-$3,409 to $11,100	22% of AAI
$11,101 to $14,000	$2,442 + 25% of AAI over $11,100
$14,001 to $16,800	$3,167 + 29% of AAI over $14,000
$16,801 to $19,600	$3,979 + 34% of AAI over $16,800
$19,601 to $22,500	$4,931 + 40% of AAI over $19,600
$22,501 or more	$6,091 + 47% of AAI over $22,500

Verification

CHAPTER 8

Because the effectiveness of the federal student financial aid programs depends on the accuracy of the data students report, schools must verify information provided by students the CPS selects. In doing so, schools must follow the procedures established by regulation. In this chapter, we discuss the verification requirements and process.

GENERAL REQUIREMENTS

Verification Regulations Cite
34 CFR 668, Subpart E

Required Policies Cite
34 CFR 668.53

The verification requirements explained in this chapter apply to all applicants for most SFA programs. Verification isn't required for the Leveraging Educational Assistance Partnership (LEAP) Program (formerly the State Student Incentive Grant Program), unless the school is certain that a student's state grant contains federal funds, or for the Robert C. Byrd Honors Scholarship Program. For the Direct Loan and FFEL programs, verification isn't required for unsubsidized student loans or for PLUS Loans. However, a student can't avoid the verification requirements by choosing to borrow an unsubsidized loan instead of a subsidized loan. If a student selected for verification attempts to do this, the school is to continue the verification process anyway. Also, verification is not required for Federal Stafford Loans received for study at eligible foreign schools.

Required Policies

The school must have written policies on the following verification issues:

- deadlines for students to submit documentation and consequences of the failure to meet those deadlines,
- method of notifying students of award changes resulting from verification,
- required correction procedures for students,
- means of publicizing requirements and procedures, and
- standard procedures for referring overpayment cases to the Department (see Chapter 3 of this publication for more information on handling overpayments).

Additionally, the school must give each applicant a written account of the following information:

- **Documentation requirements.** A clear explanation of the documentation needed to satisfy the verification requirements;
- **Student responsibilities.** An explanation of the student's responsibilities with respect to the verification requirements, including the deadlines for completing any actions required, the consequences of missing such deadlines, and required correction procedures; and
- **Notification methods.** The means by which the school will notify a student if his or her award changes as a result of verification, and the time frame for such notification.

Quality Assurance Program

Under the Title IV Quality Assurance (QA) Program, participating schools develop and implement a quality improvement approach to SFA program administration and delivery. QA schools are exempt from certain administrative and procedural requirements, including certain verification requirements. The QA Program methodology provides QA schools with an alternative management approach for developing and refining their own systems for verifying institutional and student financial aid application data. Participating schools should refer to the *QA Workbook* for verification exemptions. Note that all current requirements for disbursement, updating, and deadlines—and the consequences for failing to provide requested documents—still apply to QA schools.

APPLICATIONS TO BE VERIFIED

When verification is required for an application, that application is said to have been "selected" for verification. Applications are selected either by the CPS or by the school. Under certain circumstances, a selected application may be excluded from required verification (see "30% Verification Option" and "Verification Exclusions" later in this chapter).

The output document shows whether the student's application has been selected by the CPS. The Verification Tracking Flag, which is in the FAA Information Section with the match flags, will have a value if the application has been selected for verification. On the SAR, the CPS prints an asterisk next to the EFC to identify applications selected for verification. The SAR also has a comment notifying the student that the application has been selected for verification.

The number or letter in the Verification Tracking Flag is the verification selection code. These codes (A-C 1-32) are numbered in order of importance. If the school is verifying no more than 30% of the total number of its federal student aid applicants, it might want to select those applications with higher priority verification selection codes. (See "30% Verification Option".) For example, reasons 2, 5, 8,

30% Verification Examples

Bennet College has 1000 applicants for federal student aid. During processing, the CPS selected 475 of those students' applications for verification. Bennet also selects 100 other applications, based on its own criteria. To meet the 30% level, Bennet only needs to verify 300 applications, not all 575 that are selected. However, the 100 Bennet selected don't count toward meeting the 30% requirement, so Bennet must verify at least 300 of the applications the CPS selected for verification.

Brust Conservatory has 1000 applicants for federal student aid. During processing, the CPS selected 289 of those students' applications for verification. Brust must verify all 289 applications because that number isn't more than 30% of the total applicants. The school isn't required to verify more applications to reach the 30% level; the 30% verification option is not a quota.

Benoit Institute has 1000 applicants for federal student aid. During processing, the CPS selected 300 of those students' applications for verification. Also, the school identified 40 additional applications as having conflicting information. Benoit must resolve the conflicting information for these 40 students. However, because the resolution of conflicting information is separate from verification, these 40 applications don't count toward the 30% level. Benoit must also verify all 300 applications that were selected for verification, because this number isn't more than 30% of the total applicants for federal student aid.

30% Verification Option Cite

34 CFR 668.54(a)(2)

and 10 have greater significance than reasons 13, 15, 19, and 24. Selecting applications with higher priority numbers is a suggestion, not a requirement.

A school may also select applications for verification. For applications a school selects, the school decides which items it wants to verify. The school can choose not to verify items that must be verified on CPS-selected applications and can also choose to verify items other than those required by the Department. However, all other verification requirements (such as deadlines and allowable interim disbursement rules, etc.) apply equally to all students who are being verified, regardless of whether the CPS or the school selected the application for verification.

30% Verification Option

Generally, a school must verify all applications the CPS selects for verification; however, the Department doesn't require a school to verify more than 30% of its total number of applicants for federal student assistance. If more than 30% of the school's applicants have been selected by the CPS for verification, the school may choose to verify all the selected applications, but the Department doesn't require it. Instead, the school can choose to stop verifying once 30% of its applicants have been verified (applications a school selects and applications with conflicting information don't count toward the 30% level). If the total number of selected applications is less than 30% of the school's total number of applicants for federal student aid, the school must verify **all** selected applications.

Definitions

Many schools have requested interpretation from the Department regarding the definitions of "applicant" and "applicant pool." However, the Department does not define these terms. Each school must

Verification Exclusions Cite
34 CFR 668.54(b)

Incomplete Verification due to Death Cite
34 CFR 668.60(c)

Immigrant Example
Hector arrives in the United States in February 2000, and begins attending Guerrero University in September 2000. His 2000-2001 application is selected for verification. Guerrero determines that it doesn't have to verify Hector's application because he arrived during the 2000 calendar year.

Spouse Unavailable Example
Ursula is attending Lem Community College, and her application is selected for verification. She provided her husband's information on the application, but now explains that her husband has recently moved out, and she can't locate him. Ursula also gives Lem some documents to show that she's tried to locate her husband. Lem determines that Ursula doesn't need to provide verification of her husband's tax and income information, but still needs to verify her own information.

develop its definitions and apply them **consistently.** An applicant may be defined as any student who applies for federal financial aid or, more narrowly, as a student who is eligible to receive an award. Further, schools could define the total number of applicants for federal student assistance as the total number of applications received (regardless of whether the students are enrolled), as the total number of applications received from enrolled students, or as the total number of applications received from enrolled students who are eligible to receive an award. When the school uses a narrow pool and selects 30%, the students the school verifies must come from the pool designated and not from a broader pool.

Schools also must develop their own policies for determining the number of applications that constitutes 30% of their school's total applications. Schools must consistently adhere to and apply these policies, ensuring that selected applications are properly verified.

Verification Exclusions

A selected application may be exempt from some or all of the verification requirements due to certain unusual circumstances. Except in the case of the student's death, however, none of these verification exclusions excuses the school from the requirement to resolve conflicting information.

Death

If the school makes an interim disbursement during the verification process, and the student dies before verification is completed, the school doesn't have to continue verification to justify the first disbursement. In such a case, the school can't make any additional disbursements to any of the student's beneficiaries, except for FWS funds already earned. Also, the school cannot originate a Direct Loan, certify a Federal Stafford Loan, or deliver proceeds from either one for the student's beneficiaries.

Incarceration

A selected application does not have to be verified if the student is in jail or prison at the time of verification.

Student is a recent immigrant

A selected application does not have to be verified if the student is an immigrant who arrived in the United States during calendar years 2000 or 2001.

Spouse unavailable

A school isn't required to verify spouse information (or to obtain the appropriate signature for verification purposes) if any of the following conditions apply:

- The spouse is deceased or mentally or physically incapacitated.
- The spouse is residing in a country other than the United States and can't be contacted by normal means.

- The spouse can't be located because his or her address is unknown, and the student can't obtain it.

The school should document the basis for this exclusion in the student's file. This exclusion doesn't affect any other part of required verification; the selected application must still be verified according to all other requirements.

Parents unavailable

A school isn't required to verify a dependent student's application if any of the following conditions apply:

- The student's parents are deceased or mentally or physically incapacitated.[8]

- The parents are residing in a country other than the United States and can't be contacted by normal means.

- The parents can't be located because their address is unknown, and the student can't obtain it.

The school should document the basis for this exclusion in the student's file. If only one parent of a dependent student meets one of these conditions, the student and the remaining responsible parent are still subject to all verification requirements.

Verification completed at a previously attended school

A school isn't required to verify the selected application of a student who completed verification for the current award year at another school before transferring. To document a student's eligibility for this exclusion, a school must obtain a letter from the school that completed the verification. The letter must include

- a statement that the student's application data have been verified,

- the transaction number of the verified application, and

- if relevant, the reasons why the school was not required to recalculate the student's EFC (for example, the application errors may have been within the allowable tolerance—see "Verification tolerance," page 201).

In general, a financial aid transcript alone is **not** acceptable documentation for allowing a student this exclusion. However, if the school uses a financial aid transcript form that specifically asks for the necessary information, the transcript would be acceptable documentation as long as the other school provided all the information.

[8] Note that if both parents are dead, the student is an orphan and so is an independent student. If the parents die after the student has applied, the student must update his or her dependency status (see Chapter 9).

Selection after Disbursement Example

Owen is attending Guerrero University. His application isn't selected for verification, and he receives aid in the fall. In December, Owen submits an address change on his SAR. That transaction is selected for verification. The FAA at Guerrero tells Owen he needs to submit verification documents if he wants his aid for the spring, but Owen doesn't turn in the documents. Owen doesn't have to repay the aid he got in the fall, but Guerrero cancels his aid package for the spring. If Owen does turn in the documents and complete verification before the year ends, Guerrero can give him the aid for the spring.

Pacific Island residency status

A school isn't required to verify the selected application of a student who is either

- a legal resident of Guam, American Samoa, or the Commonwealth of the Northern Mariana Islands (to qualify for this exclusion, a dependent student's parents must also be legal residents of one of these former territories)
- a citizen of the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau (to qualify for this exclusion, a dependent student's parents must also be citizens of one of these former territories)

To document the basis for this exclusion, the school should note the permanent mailing address in the student's file.

No funds disbursed

If a student won't receive federal student aid for reasons other than his or her failure to complete verification, the school isn't required to complete verification. This category includes students ineligible for federal student aid or those who withdraw without receiving aid.

Required Verification Items Cite

34 CFR 668.56(a)

Selection after Disbursement

If a student or school submits corrections, the student's application may be selected for verification on that subsequent transaction. In some cases, the student may already have been paid based on the previous, unselected, output document. Because the student was eligible for that disbursement when it was made, the disbursement doesn't need to be repaid if verification isn't completed. However, the school can't make subsequent disbursements until the student's application is verified.

REQUIRED VERIFICATION ITEMS

For applications selected by the CPS for verification, a school must verify five major data elements:

- household size,
- number enrolled in college,
- adjusted gross income (AGI),
- U.S. income tax paid, and
- certain untaxed income and benefits.

In addition to verifying these required application data items for CPS-selected students, the school can choose to verify any other application items, requiring any reasonable documentation, in accordance with consistently applied institutional policies and

Acceptable Documentation

	Verification Worksheet & Tax Return(s)	*Other Documentation in lieu of Worksheet or Tax Return (see the text for details)*
Household Size	✓	Signed Statement
Number Enrolled	✓	Signed Statement and/or Institutional Certification
AGI & Taxes Paid	✓	IRS Letter 1722, RTFTP, Form W-2, Form 4868, and/or Signed Statement
Untaxed Income & Benefits	✓	Official Agency Documentation and/or Signed Statement

procedures. The school decides which students must provide documentation for any additional data elements and what constitutes acceptable documentation.

General Documentation Requirements

For each required verification item, specific documentation is required, as described in the following sections. The school has the authority to **require** students to provide such documentation. To help schools, the Department has developed verification worksheets that collect most of the necessary documentation. You may reproduce the 2000-2001 worksheets without limitation, and they are available through a variety of sources: through EDExpress; from the Department's IFAP web site at <http://ifap.ed.gov>; and later in this chapter.

When a student completes a verification worksheet and attaches the appropriate tax forms or alternative documents (discussed later), the school will usually have enough data to complete the verification process. Using a verification worksheet, therefore, simplifies the task of collecting and examining a student's documentation.

However, use of the federal worksheets isn't required. The school may use its own worksheet, or no worksheet at all. The school may require other documentation in addition to, or instead of, a completed verification worksheet. The chart on this page shows other forms of acceptable documentation for each required verification item. Later in this chapter, these other documents are discussed in detail.

Timing of Signature

Any required signatures, such as signatures on worksheets or on copies of tax returns, must be collected at the time of verification, during the applicable award year. Signatures can't be collected after the verification deadline for that award year.

Using a Verification Worksheet

A school that requires its students to complete verification worksheets must provide the worksheets to its students. Upon completing the appropriate worksheet and attaching a copy of the relevant income tax returns or alternative documents, students should submit the documents to the school, not to the Department or to the FAFSA processor through which they applied. The school should make sure that all required worksheet sections are completed and appropriately signed and that the relevant tax returns or alternative documents are attached. As explained later in this section, copies (such as photocopies, faxes, digital images, etc.) of worksheets, tax returns, or other documentation are acceptable. Unless specifically noted in this chapter, an original signature—that is, a handwritten pen-and-ink signature that has not been duplicated—is *not* required. After checking the documentation against the student's application data, the school may either disburse the student's award or make the necessary corrections and updates. (See "After Documentation is Complete," page 201.)

U.S. Department of Education

2000-2001 Verification Worksheet

Federal Student Aid Programs

Dependent

FORM APPROVED
OMB NO. 1840-0570
EXP. DATE 12/31/2001

Your application was selected for review in a process called "Verification." In this process, your school will be comparing information from your application with signed copies of your and your parent(s)' 1999 Federal tax forms, or with W-2 forms or other financial documents. The law says we have the right to ask you for this information before awarding Federal aid. If there are differences between your application information and your financial documents, you may need to send in corrections on your Student Aid Report (SAR), or your school may send corrections electronically, to have your information reprocessed.

Try to complete verification as soon as possible, so that your financial aid won't be delayed. Your financial aid administrator will help you.

What you should do

1. Collect your and your parent(s)' financial documents (signed Federal income tax forms, W-2 forms, etc.).
2. Talk to your financial aid administrator if you have questions about completing this worksheet.
3. Fill in and sign the worksheet—you and at least one parent.
4. Take the completed worksheet, tax forms, and any other documents your school needs to your financial aid administrator.
5. Your financial aid administrator will compare information on the documents. You may need to make corrections on your SAR and send it back to the application processor.

Your school must review the requested information, under the financial aid program rules (CFR Title 34, Part 668).

A. Student Information

Last name | First name | M.I. | Social Security Number

Address (include apt. no.) | Date of birth

City | State | ZIP code | Phone number (include area code)

B. Family Information

List the people in your parents' household; include:

- yourself and your parent(s) you live with (including stepparent), and
- your parents' other children, even if they don't live with your parent(s), if (a) your parents provide more than half of their support from July 1, 2000 through June 30, 2001, or (b) the children would be required to provide parental information when applying for Federal Student Aid, and
- other people if they now live with your parents, and your parents provide more than half of their support and will continue to provide more than half of their support from July 1, 2000 through June 30, 2001.

Write the names of all household members. Also write in the name of the college for any household member, excluding your parent(s), who will be attending college at least half-time between July 1, 2000 and June 30, 2001, and will be enrolled in a degree or certificate program. If you need more space, attach a separate page.

Full Name	Age	Relationship	College
Missy Jones (example)	*18*	*Sister*	*Central University*
		Self	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1840-0570. The time required to complete this information collection is estimated to average twelve minutes, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have comments or concerns regarding the status of your individual submission of this form, write directly to: Application and Pell Processing Systems Division, U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, DC 20202-5453.

BEST COPY AVAILABLE

C. Student's Tax Forms and Income Information (all applicants) — Dependent

1. Check one box only. Tax returns include the 1999 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If you did not keep a copy of the tax return, request a copy from your tax preparer or a copy of an Internal Revenue Service form that lists tax account information.
   - ☐ Check and attach signed tax return.
   - ☐ Check and complete: signed tax return will be submitted to the school by _____ (date).
   - ☐ Check here if you will not file and are not required to file a 1999 U.S. Income Tax Return.
2. Amounts received for child support and other untaxed income. (See Worksheet A of the Free Application for Federal Student Aid)

Sources of Untaxed Income	**Amount**	Sources of Untaxed Income	**Amount**
a. Child Support		d.	
b. Social Security (non-taxed)		e.	
c. Welfare (including TANF)		f.	

3. If you did not file and are not required to file a 1999 Federal income tax return, list below your employer(s) and any income received in 1999.

Sources (Use the W-2 form or other earnings statements.)	Amount

D. Parent(s)' Tax Forms and Income Information

1. Check one box only. Tax returns include the 1999 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If your parent(s) did not keep a copy of the tax return, request a copy from the tax preparer or a copy of an Internal Revenue Service form that lists tax account information.
   - ☐ Check and attach signed tax return(s).
   - ☐ Check and complete: signed tax return(s) will be submitted to the school by _____ (date).
   - ☐ Check here if your parent(s) will not file and are not required to file a 1999 U.S. Income Tax Return.
2. Amounts received for child support and other untaxed income. (See Worksheet A of the Free Application for Federal Student Aid)

Sources of Untaxed Income	**Amount**	Sources of Untaxed Income	**Amount**
a. Child Support		d.	
b. Social Security (non-taxed)		e.	
c. Welfare (including TANF)		f.	

3. If your parent(s) did not file and are not required to file a 1999 Federal income tax return, list below your parent(s)' employer(s) and any income they received in 1999.

Sources (Use the W-2 form or other earnings statements.)	Amount

E. Sign this Worksheet

By signing this worksheet, we certify that all the information reported on this worksheet is complete and correct. At least one parent must sign.

WARNING: If you purposely give false or misleading information on this worksheet, you may be fined, be sentenced to jail, or both.

_____ _____
Student Date

_____ _____
Parent Date

Do not mail this worksheet to your application processor. Take it to your Financial Aid Administrator at your school. Don't forget to sign your tax forms.

Independent

U.S. Department of Education

2000-2001 Verification Worksheet

Federal Student Aid Programs

FORM APPROVED
OMB NO. 1840-0570
EXP. DATE 12/31/2001

Your application was selected for review in a process called "Verification." In this process, your school will be comparing information from your application with signed copies of your (and your spouse's, if you are married) 1999 Federal tax forms, or with W-2 forms or other financial documents. The law says we have the right to ask you for this information before awarding Federal aid. If there are differences between your application information and your financial documents, you may need to send in corrections on your Student Aid Report (SAR), or your school may send corrections electronically, to have your information reprocessed.

Try to complete verification as soon as possible, so that your financial aid won't be delayed. Your financial aid administrator will help you.

What you should do

1. Collect your (and your spouse's) financial documents (signed Federal income tax forms, W-2 forms, etc.).
2. Talk to your financial aid administrator if you have questions about completing this worksheet.
3. Fill in and sign the worksheet.
4. Take the completed worksheet, tax forms, and any other documents your school needs to your financial aid administrator.
5. Your financial aid administrator will compare information on the documents. You may need to make corrections on your SAR and send it back to the application processor.

Your school must review the requested information, under the financial aid program rules (CFR Title 34, Part 668).

A. Student Information

Last name | First name | M.I. | Social Security Number

Address (include apt. no.) | Date of birth

City | State | ZIP code | Phone number (include area code)

B. Family Information

List the people in your household; include:

- yourself, and your spouse if you have one, and
- your children, if you provide more than half of their support from July 1, 2000 through June 30, 2001, and
- other people if they now live with you, and you provide more than half of their support and will continue to provide more than half of their support from July 1, 2000 through June 30, 2001.

Write the names of all household members. Also write in the name of the college for any household member, excluding your parent(s), who will be attending college at least half-time between July 1, 2000 and June 30, 2001, and will be enrolled in a degree or certificate program. If you need more space, attach a separate page.

Full Name	Age	Relationship	College
Martha Jones (example)	24	Wife	City University
		Self	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1840-0570. The time required to complete this information collection is estimated to average twelve minutes, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have comments or concerns regarding the status of your individual submission of this form, write directly to: Application and Pell Processing Systems Division, U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, DC 20202-5453

BEST COPY AVAILABLE

C. Student's Tax Forms and Income Information (all applicants) — Independent

1. Check one box only. Tax returns include the 1999 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If you did not keep a copy of the tax return, request a copy from your tax preparer or a copy of an Internal Revenue Service form that lists tax account information.
   - ☐ Check and attach signed tax return.
   - ☐ Check and complete: signed tax return will be submitted to the school by _____(date).
   - ☐ Check if you will not file and are not required to file a 1999 U.S. Income Tax Return.
2. Amounts received for child support and other untaxed income. (See Worksheet A of the Free Application for Federal Student Aid)

Sources of Untaxed Income	Amount	Sources of Untaxed Income	Amount
a. Child Support		d.	
b. Social Security (non-taxed)		e.	
c. Welfare (including TANF)		f.	

3. If you did not file and are not required to file a 1999 Federal income tax return, list below your employer(s) and any income received in 1999.

Sources (Use the W-2 form or other earnings statements.)	Amount

D. Spouse's Tax Forms and Income Information (If student is married)

1. Check one box only. Tax returns include the 1999 IRS Form 1040, 1040A, 1040EZ, TeleFile Tax Record, a tax return from Puerto Rico or a foreign income tax return. If your spouse did not keep a copy of the tax return, request a copy from the tax preparer or a copy of an Internal Revenue Service form that lists tax account information.
   - ☐ Check if you and your spouse did or will file a joint return.
   - ☐ Check and attach signed tax return if your spouse filed a separate return.
   - ☐ Check and complete: signed tax return will be submitted to the school by _____(date).
   - ☐ Check if your spouse will not file and is not required to file a 1999 U.S. Income Tax Return.
2. Amounts received for child support and other untaxed income. (See Worksheet A of the Free Application for Federal Student Aid)

Sources of Untaxed Income	Amount	Sources of Untaxed Income	Amount
a. Child Support		d.	
b. Social Security (non-taxed)		e.	
c. Welfare (including TANF)		f.	

3. If your spouse did not file and is not required to file a 1999 Federal income tax return, list below your spouse's employer(s) and any income received in 1999.

Sources (Use the W-2 form or other earnings statements.)	Amount

E. Sign this Worksheet

By signing this worksheet, I (we) certify that all the information reported on this worksheet is complete and correct. If married, spouse's signature is optional.

WARNING: If you purposely give false or misleading information on this worksheet, you may be fined, be sentenced to jail, or both.

_____
Student Date

_____
Spouse Date

Do not mail this worksheet to your application processor. Take it to your Financial Aid Administrator at your school. Don't forget to sign your tax forms.

Household Size

A student's household size generally includes any persons who are dependents of, or who receive more than half of their support from, the student's household. If the student completed a verification worksheet, no further documentation for this item is required. However, instead of the worksheet, the school may accept a statement signed by the student (and at least one of the student's parents, for dependent students), listing the names of the household members, their relationships to the student, and their ages.

The law specifies who is included in the student's household. This topic is discussed in more detail in Chapter 6, under "Household Size."

When verification of household size is not required

The school doesn't have to verify household size in the following situations:

- The student's valid federal output document is received within 90 days of the date the application was signed.
- The household size is the same as the number reported for, and verified in, the previous award year.
- For dependent students: The parents are married, and the household size reported on the output document is three; or the parent is single, divorced, separated, or widowed, and the household size reported is two.
- For independent students: The student is married, and the household size reported is two; or the student is single, divorced, separated, or widowed, and the household size reported is one.

Household Size Documentation Cite

34 CFR 668.57(b)

Members of a household

Generally, the following people can be included in household size: the student, the student's spouse, the student's parents (for a dependent student), children of the head of the household (either the student or the student's parents) who are supported by the head of the household, and anyone else who lives in the household and is supported by the head of the household. For a detailed discussion, see Chapter 6 of this publication.

Household Size Exception Cites

34 CFR 668.56(a)(3), (b), (c)

Number Enrolled in College

The student should **always** be included in this number, but the parents are excluded (unless the aid administrator exercises professional judgment to include them). Others can be included only if they are counted in the household size and will be attending a postsecondary educational institution at least half time (6 credit hours per term for at least one term or 12 clock hours per week) between July 1, 2000 and June 30, 2001. These individuals must also be working toward a degree or certificate leading to a recognized educational credential at an eligible school (see the *SFA Handbook: Institutional Eligibility and Participation* for more on institutional eligibility).

If the student completes a verification worksheet, no further documentation for this item is required. However, instead of the worksheet, the school may accept a statement signed by the student (and at least one of the student's parents, for dependent students). The statement should include the names and ages of those enrolled and the names of the schools they plan to attend. If the school still has reason to doubt the enrollment information reported, it should

Number in College Documentation Cite

34 CFR 668.57(c)

Number in College Exception Cites
34 CFR 668.56(a)(4), (b), (d)

AGI and Income Tax Documentation Cites
34 CFR 668.57(a)

Other Tax Forms
The following tax forms are considered alternatives to a U.S. Form 1040A and 1040EZ: the income tax return required by the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau. Information from these tax returns would be reported on the FAFSA in the same manner as U.S. tax information, and copies of these forms can be used for verification in the same way as U.S. tax forms. Amounts are already reported in U.S. dollars and the school should look at tax return line items that are comparable to the U.S. line items for verification.

Tax Return FAFSA Questions
For students, the tax return questions are 38 and 39 on the FAFSA. For parents, the tax return questions are 61 and 62.

require the student to obtain documentation from the other students and schools listed. (If a student in question hasn't yet registered, documentation from the school may not be available.)

Note that the statement to verify the number enrolled in a postsecondary education institution may be combined with the household size statement.

When verifying number enrolled in college is not required

As with household size, the school doesn't have to verify the number enrolled in college in any of the following instances:

- The student's valid federal output document is received within 90 days of the date the application was signed.
- The reported number enrolled is one (the student only).
- The family members the student lists are enrolled at least half time at the school, and the school has confirmed their enrollment through its own records.

AGI and Income Tax

Most often the school can verify AGI and U.S. Income Tax Paid by using a copy of the signed U.S. income tax return. U.S. taxfilers can file their taxes electronically (through e-file), over the telephone (through TeleFile), or using traditional paper tax forms. As explained later in this section, the tax documents needed for verification may vary depending on the filing method used by the student, spouse, or parents. All documentation must contain the required signatures (or preparer's stamp or other official validations) and must contain all data necessary for verification. If all necessary data are not present, the student must provide additional documentation, as described in this section.

To verify AGI and taxes paid, the school must first identify everyone whose financial data was reported on the FAFSA, and which tax returns, if any, they filed. The school must check the tax returns for anyone whose financial data was reported on the FAFSA: the student, the student's spouse, or the student's parents. Each person reported on the FAFSA which tax return they filed or that they were not required to file a tax return at all. The type of form reported on the FAFSA should match what the student and his or her parents actually filed. (Prior to 1999-2000, the FAFSA question asked if the family was "eligible to file" the 1040A or 1040EZ.)

The AGI figures reported on the FAFSA should always match the AGI figures that appear on the student's tax return, unless the FAFSA amount has been adjusted from a joint return due to divorce, separation, or professional judgment (see "Using a joint return to figure individual AGI and taxes paid," page 197, and Chapter 9). If the figures don't match, a correction may be needed, as discussed in Chapter 9 of this publication. For more information on how specific

Line Items

	1040 and 1040PC	*1040A*	*1040EZ*
AGI	33	18	4
Income Tax Paid	49 plus 51	32	10
Deductible IRA/Keogh	23 and 29	15	
Earned Income Credit	59a	37a	8a
Tax-Exempt Interest Income	8b	8b	
Untaxed Portions of IRAs and Pensions (excludes rollovers)	15a minus 15b and 16a minus 16b	10a minus 10b and 11a minus 11b	

types and special categories of income should be reported on the FAFSA, see Chapter 6, "Income and Assets."

The line item chart above shows the tax form line items for the most commonly reported items. This chart is a reference only; it is not an inclusive list of all the items the school must check on a tax return.

Acceptable copies

For verification purposes, the school can accept a copy (such as a photocopy, fax, or digital image) of the original signed return filed with the IRS. If a fax, photocopy, or other acceptable copy was made of an unsigned return, the filer (or at least one of the filers of a joint return) must sign the copy. The school can also accept a tax form that has been completed to duplicate the filed return; this duplicate must contain at least one filer's signature.

Instead of a return the filer has signed, the school may also accept a paper return the tax preparer has signed or officially stamped. (Documentation from electronic returns must be signed by the filer, as explained in the following section.) In some cases, the school can waive the requirement for spouse information and signatures (see "Exclusions from Verification").

Special situations

There are certain situations, such as when the student files taxes electronically, or earned foreign income, when the school may need to do something other than examine a 1040, 1040A, or 1040EZ form.

Electronic filing (e-file)

The IRS *e-file* program comprises several electronic filing methods. For example, the taxfiler can go to an *e-file* provider who will send the return to the IRS, or use taxfiling software on a home computer. The filer should always receive a paper copyof the return in some format. Software used on a home computer may

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Nonfiler Documentation Cite
34 CFR 668.57(a)(4)(i)

produce a 1040PC, or may allow the taxfiler to print out a standard 1040, 1040A, or 1040EZ that contains the information that was filed electronically. Or the *e-file* provider might print out a copy of the return using its own format. Any of these paper copies of the return are acceptable documentation for verification purposes, as long as they are signed by at least one of the taxfilers. (Note that when an electronic tax return is filed, the filer also submits IRS Form 8453. Form 8453 doesn't have enough information for verification purposes.)

Returns like the 1040PC don't contain every line item; rather, they shows only the data the taxfiler provided. For example, if Item 8a, "Taxable interest income," does not appear on such a return, that means the student reported no taxable interest income.

TeleFile

TeleFile (formerly called 1040TEL) allows 1040EZ filers to file a tax return over the phone. Filers complete a TeleFile Tax Record, call an IRS number, and enter the information over the telephone. The TeleFile Tax Record is acceptable documentation for verification purposes, provided it contains the filer's six-digit IRS confirmation number in Line M and is signed by the filer. (There's no signature line; have the filer sign at the bottom.)

Nonfilers

An AGI figure won't be available for individuals who aren't required to file a tax return. Such a person would instead report on the FAFSA income earned from work, which includes any income reported on the individual's forms W-2 *plus* any other earnings from work not reported on those forms. (Even if no taxes were paid on this income earned from work, it **should not** be reported as untaxed income on the FAFSA.)

A properly completed verification worksheet sufficiently documents income earned from work. No further documentation is required. If the student doesn't complete a verification worksheet, the school must require from each nonfiler a **signed statement** certifying his or her nonfiler status and listing the sources and amounts of income. (The school can also accept copies of the W-2 forms.)

The Department doesn't require financial aid professionals to have special knowledge or expertise regarding the U.S. tax code. If a person whose data was required on the FAFSA submits a signed statement claiming non-taxfiler status, and the school has reason to believe that person would have been required to file a U.S. tax return, this constitutes conflicting information and must be resolved. (For more information on conflicting information, see the Introduction.) For example, in such a case, the school might require a letter from the IRS, a copy of the applicable tax provision, or other documentation supporting the individual's

claim to nonfiler status. Remember, conflicting information **must** be resolved before the school can disburse federal student aid.

Extension Documentation Cite
34 CFR 668.57(a)(4)(ii), (a)(5)

Filing extensions

If any of the persons required to report information on the FAFSA will file but hadn't filed a tax return at the time of application, they would have used an estimated AGI on the FAFSA. At the time of verification, the necessary tax return(s) should have been filed and can be used for verification. If a return hasn't been filed by then and a filing extension was granted by the IRS, the school may accept the following alternative documentation:

- copies of the relevant forms W-2, and
- one of the following items as proof that the IRS has granted a filing extension:
  - Δ a copy of IRS Form 4868—*Application for Automatic Extension of Time to File U.S. Individual Income Tax Return* (automatically grants the taxpayer a four-month extension beyond the April 15 deadline), or
  - Δ a copy of the IRS approval of an extension beyond the automatic four-month extension.

In addition to supplying the above documentation, the student must submit a copy of the tax returns when filed. When the school receives the completed tax returns, it must use the tax returns to re-verify the required data. A student who fails to submit a copy of the filed tax return or alternative documents before the documentation deadlines is ineligible to receive federal student aid and is required to repay any aid disbursed. Regardless of whether the student repays the aid, the school is liable for the interim disbursement (see "Interim Disbursements," page 200).

Fiscal year returns

For a fiscal year tax return (as opposed to a return for the calendar year), the student should report the AGI and U.S. Income Tax Paid from the fiscal year tax return that includes the greater number of months in the base year (see Chapter 6 for an example). Accordingly, the school should use the tax return from that fiscal year for verification purposes.

Nonresident filers

1040NR is a special return filed by certain nonresidents, mostly individuals holding temporary visas (such as an F-1 or H-1). Such persons are neither permanent residents nor U.S. citizens. The 1040NR is acceptable documentation for verification purposes.

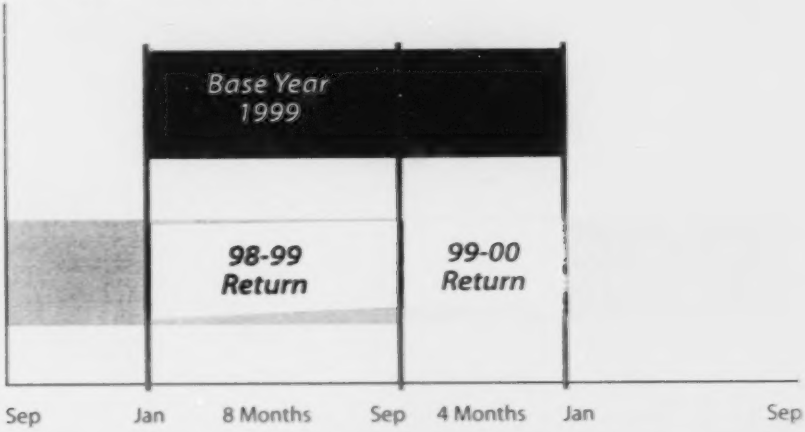
Foreign income

If a U.S. taxfiler earns foreign income, part of that income can sometimes be excluded from taxable income. The excluded portion should be reported as "untaxed income" on the FAFSA, while the remainder is part of the AGI. (The amount of foreign income that was excluded should be verified using IRS Form 2555

Substitute for Tax Return Cite
34 CFR 668.57(a)(2)

Fiscal Year Example

The fiscal tax return covers the period from September 1 to August 31. Because the larger portion of the base year (1999) is covered by the 98-99 fiscal return, that return should be used for verification.



or 2555EZ, as explained under "Verifying foreign income excluded from U.S. taxation," page 199.)

If a foreign taxfiler earned foreign income and paid taxes to a central foreign government, the income and taxes paid should be treated the same as U.S. income and taxes paid. Information from the foreign tax return would be reported on the FAFSA and for verification purposes, the foreign return would be considered equivalent to an IRS Form 1040.

If the student (or the student's parents) earned foreign income but did not pay any taxes on that income, it should be reported as untaxed income.

In all cases involving foreign income, the value of the foreign income and taxes should be reported in U.S. dollars, using the exchange rate at the time of application.

If a tax return isn't available

If copies of the necessary tax returns are not available, the student must instead submit a copy of any IRS form that lists tax account information. The IRS has a number of such forms, including IRS Letter 1722 and the RTFTP. The Department doesn't provide a comprehensive list of acceptable IRS forms. Any form that lists tax account information and provides the information needed for verification is acceptable. The form must also be signed by the student (and a parent, if the student is dependent), unless the IRS sent the form directly to the school.

IRS Letter 1722

The school may accept a copy of IRS Letter 1722 signed by the appropriate IRS regional official. (Stamped signatures are acceptable.)

BEST COPY AVAILABLE

IRS Letter 1722 can be obtained at local IRS district offices (**not** at regional service centers). This document might not provide as much information about the student's financial status as does the tax return. For this reason, the school may need to request supplemental documentation to complete verification.

RTFTP and other tax account summaries

In places where IRS Letter 1722 is not available, the school may accept the RTFTP, which is a computerized summary of tax return information provided by IRS Regional Service Centers. Some IRS regions may provide other tax account summaries. Again, as long as the summary has the information needed for verification, it's acceptable. The RTFTP or other tax account summary **must be signed** by the student (and at least one parent, if the student is dependent), unless it was sent directly from the IRS to the school (as requested by the student, using Form 4506).

Using a joint return to figure individual AGI and taxes paid

If the filer of a joint return has become widowed, divorced, or separated since filing the return, it may be necessary for verification purposes to determine the individual's income and taxes paid using the joint return and the relevant IRS Forms W-2. (If a filer is self-employed or if a W-2 is not available, the school may accept a signed statement from the filer that certifies the base year AGI and U.S. taxes paid.)

Starting with the income figures from the individual's forms W-2, add the individual's income that you have extracted from the joint return. Any interest or business income earned on joint accounts or investments should be assessed at 50%. (The same procedure should be used to divide business or farm losses.) Also, if the AGI listed on the joint return was adjusted ("Adjustment to Income"), you should reduce the individual's AGI by the portion of the adjustment that applies solely to him or her. For example, if an adjustment was made for moving expenses (which applies to the couple jointly), only 50% of the adjustment amount can be applied against the individual's income. An AGI figure can be calculated for the individual filer, using a joint return; a signed statement from the filer, certifying that the data from the joint return were accurately assessed, is sufficient documentation for this method.

Use one of the following methods to figure the individual's taxes paid:

- **Tax Table (preferred method).** Using the IRS Tax Table or Tax Rate Schedule for the appropriate year, calculate the amount of tax that would have been paid if a separate return had been filed. Use the deduction and number of exemptions the individual could have claimed if he or she had filed a separate return. (If itemized deductions were taken, count only the portion of those deductions that could have been claimed on a separate tax return.)

No Documents from IRS

If the IRS can't provide a copy of the return or any form with tax account information, the school can accept a copy of the W-2 for everyone whose income is listed on the FAFSA. If a filer is self-employed or if a W-2 is otherwise unavailable, the school can accept a signed statement from the filer certifying that his or her income and other appropriate information is correct.

Calculating Individual AGI from Joint Return Example

Eddy's application is selected for verification. He and his wife filed a joint return for 1999, and have since separated. The AGI on Eddy's FAFSA matches the AGI on the 1999 tax return, which means it's wrong, because it includes his wife's income. Eddy's W-2s show that his income for 1999 was $12,500, while the AGI on the tax return is $33,000. In addition to the income earned from work, the tax return also shows $100 in interest income. Also, Eddy received a scholarship, and reported $400 of the scholarship as taxable income. The FAA adds $50 of the interest income to Eddy's income (because it was interest on a joint savings account), and includes all of the taxable scholarship in his income. Therefore, the FAA determines that Eddy's income is $12,950, and submits a correction through EDE.

Calculating Individual Taxes Paid from Joint Return Example

The FAA has determined that Eddy's part of the $33,000 AGI he and his wife reported is $12,950. Eddy and his wife claimed five exemptions on their tax return (themselves, two children, and Eddy's nephew). Eddy's wife has custody of the children, and will claim them as her dependents when she files her tax return for 2000. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling $5,500. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is $6,350 (instead of the $7,200 for married filers). Eddy's income of $12,950 minus the $5,500 for exemptions and the $6,350 standard deduction results in $1,100 in taxable income. The FAA uses the tax table to determine how much tax Eddy would have paid on this amount, taking into account any applicable credits reported on the original return. With a taxable income of $1,100, the amount of tax paid from the tax schedule would be $167.

To use the proportional distribution method instead, the FAA figures out what percentage of the joint AGI Eddy's income represents. The percentage is 39% (12,950 divided by 33,000 is .3924) The FAA then multiplies the income tax paid as reported on the tax return ($1,864 for this example) by this percentage. Therefore, Eddy's income tax paid would be $727 (.39 x $1,864).

Untaxed Income and Benefits Documentation Cites

34 CFR 668.57(d)

- **Proportional Distribution.** Determine what percentage of the joint AGI was attributable to the individual and then assess the joint tax paid by that same percentage.

Untaxed Income and Benefits

The term "untaxed income" means any income excluded from federal income taxation under the IRS code. For an application selected for verification, the school must verify up to six specific types of untaxed income and benefits:

- Social Security benefits,
- child support,
- IRA/Keogh deductions,
- foreign income exclusion,
- earned income credit, and
- interest on tax-free bonds.

Except for Social Security benefits and child support, the required items can be verified using the tax return or alternative tax documents.[9] In addition to these types of untaxed income and benefits, the school must verify all other untaxed income reported on the U.S. individual income tax return (excluding schedules). Chapter 6 provides a complete discussion of untaxed income and benefits that must be reported on the FAFSA.

The school isn't required to verify any untaxed income and benefits received from a federal, state, or local government agency on

Examples of In-kind Income

- *Food Stamp Program*
- *Food Distribution Program*
- *Women, Infants, and Children Program (WIC)*
- *National School Lunch and School Breakfast programs*
- *Commodity Supplemental Food Program (CSFP)*
- *Special Milk Program for Children*
- *Daycare provided by the Social Services Block Grant Programs (if the recipient receives* ***reimbursement*** *for childcare expenses, that amount is reported as income)*
- *Rollover Pensions*
- *JTPA Benefits*
- *Payments and services received from states for foster care or adoption assistance, under Part A or Part E of Title IV of the Social Security Act*

[9] Nonfilers should submit a signed statement, as mentioned previously, that certifies their nonfiler status and lists the amounts and specific sources (by name) of untaxed income and benefits.

the basis of a financial need assessment. Further, certain types of income are considered "in-kind" income and should not be reported on the FAFSA and do not have to be verified.

Verifying untaxed Social Security benefits

The school isn't required to verify Social Security benefits **unless** it has reason to believe that benefits were received and either were not reported or were reported incorrectly. If the school believes verification is necessary, the following documentation is acceptable:

- documentation from the Social Security Administration showing the total amount of benefits received by the student, the student's spouse, or a dependent student's parents, or
- a statement signed by the student (and spouse or parent) certifying that the amount of Social Security benefits reported on the application is correct.

Social Security Benefits Documentation Cites

34 CFR 668.57(d)(2)

Tip for Verifying Social Security Benefits

Be sure the student reports the total amount (not the monthly amount) of benefits received in the base year—including Supplemental Security Income and benefits received on behalf of dependent children. Also, be sure the benefits were not included in the AGI. Lastly, if the Social Security statement shows an amount deducted for Medicare, make sure that amount is included in the total benefits reported.

Verifying child support received

The school must verify child support if the student, student's spouse, or student's parents report receiving it, or if the school has reason to believe it was received. Child support doesn't have to be verified if the amount reported is the same amount that was verified in the previous year. A completed verification worksheet is sufficient to verify child support received. Otherwise, the school must require a statement confirming the amount of child support received for all children in the household. The student (and one parent, if the student is dependent) must sign this statement. If child support is paid through a government agency, a statement from that agency would also be acceptable. If the school has reason to doubt the statement provided, it should request at least one of the following items:

- a copy of the divorce decree or separation agreement showing the amount of child support to be provided,
- a signed statement from the parent who provided the support showing the amount of child support provided, or
- copies of the canceled checks or money order receipts.

Child Support Documentation Cites

34 CFR 668.57(d)(3)

Verifying deductions for IRA and Keogh plans

Deductible payments to IRA and Keogh plans can be verified using the tax return. The deducted amounts are reported on lines 23 and 29 of IRS Form 1040, or line 15 of IRS Form 1040A.

Verifying interest on tax-free bonds

Interest on tax-free bonds can be verified using the tax return. Refer to line 8b of IRS Form 1040 or to line 8b of IRS Form 1040A.

Verifying foreign income excluded from U.S. taxation

Under the IRS code, certain U.S. citizens and residents living in foreign countries are allowed to deduct some excessive foreign living expenses or to exclude a limited amount of income received for

Interim Disbursements Cite
34 CFR 668.58

Pell, Perkins, FSEOG Interim Disbursement Example
Steven's application is selected for verification. He's attending Brust Conservatory, which chooses to make interim disbursements. Steven's eligible for a Pell, and Brust also awards him a Perkins Loan. He isn't eligible for an FSEOG. Steven has already made some corrections because Brust discovered errors in his application, but he hasn't submitted all the verification documentation yet. Brust doesn't want to pay Steven until it receives his corrected output document. As long as Brust makes the payment before the first payment period ends, it can make an interim disbursement before Steven turns in all his verification paperwork. Otherwise, Brust will have to wait until Steven completes verification to make any disbursements.

personal services rendered abroad. Though deducted for tax purposes, this amount is considered untaxed income for federal student aid purposes. It should be reported on the FAFSA, and the school must verify it. Excluded foreign income can be verified by using IRS Forms 2555 (line 43) or 2555EZ (line 18). Note that the final total for Form 2555 shouldn't be reported as untaxed income, because it contains other exclusions.

Verifying earned income credit (EIC)

Earned income credit is available to certain eligible workers and must be reported on the FAFSA and verified. The amount can be verified from line 59a of the 1040, line 37a of the 1040A, or line 8a of the 1040EZ. Note that if parents file a joint tax return and qualify for EIC but then separate or divorce before the student files the FAFSA, the parent with whom the student lived most in the last 12 months would determine his or her portion of the EIC by using the tax table or proportional distribution calculations (see "Using a joint return to figure individual AGI and taxes paid," page 197).

COMPLETING THE PROCESS

If a student's application is selected for verification, he or she must complete the verification process or forfeit federal student aid eligibility. The school has the authority to withhold disbursement of any federal student aid funds until the student completes the required verification. Such a policy ensures that a student's application information and eligibility determination are absolutely correct before any funds are disbursed. Adopting this policy substantially reduces the incidence of overpayments. However, the school can also make an interim disbursement before verification is complete.

Interim Disbursements

As long as the school has no reason to believe the application information is inaccurate, it can make an interim disbursement before verification is complete. If the school has reason to believe the student's application may be inaccurate, it can't make any interim disbursements. The interim disbursement limitations as they apply to each program are listed below. The school is liable for an interim disbursement if verification shows that the student received an overpayment, or if the student fails to complete verification.

The Federal Pell Grant, Federal Perkins Loan, and FSEOG Programs

The school can make one disbursement from each of these programs, for the student's first payment period. Note that if the school makes an interim Pell disbursement, it reports the payment to the Department with a "W" (Without Documentation) verification status code. (See "Verification status codes," page 202.)

The Federal Work-Study (FWS) Program

Before completing verification, the school can employ a student under FWS for up to 60 *consecutive* days after he or she enrolled (or in summer employment for up to 60 days), provided the school has no

conflicting documentation on the student. After 60 days, if verification has not been completed, the school can't employ the student under FWS any more. If the school later discovers that an overaward exists, it should attempt to adjust the student's other aid. Otherwise, it must reimburse the FWS Program from school funds. Except in the case of proven student fraud, a student can't be required to repay FWS wages earned. (See the Campus-Based Programs Reference.)

The Direct Loan and FFEL Programs

If the school has no conflicting documentation, it can originate a Direct Subsidized Loan or certify a Federal Stafford Loan application for a student who hasn't completed the verification process. However, it can't disburse a Direct Subsidized Loan or deliver Federal Stafford Loan proceeds to the borrower.

If the school originates a Direct Subsidized Loan or certifies a Federal Stafford Loan application before verification is completed, it may later discover that the loan amount exceeds the student's need. See Chapter 10 of this publication for more on handling loan overawards.

There are limits on how long the school can hold loan proceeds before either disbursing them to the student or returning them to the lender. Generally, the limit is 3 business days for funds received by EFT or master check, and 30 days for individual checks (see the Direct Loan and FFEL Programs Reference for a complete discussion). If the school has received the funds from the lender, and the student doesn't complete verification within these time limits, the school must return those loan proceeds to the lender.

After Documentation is Complete

When the school has obtained all necessary verification documents from the student, it should compare that documentation to the information originally reported on the application. If the verification process shows that all the student's information is correct, and there are no outstanding issues or conflicting information, the school may award aid and disburse aid for which the student is eligible.

If verification revealed errors or inconsistencies, the student may have to make corrections. See Chapter 9 of this publication for information on the correction process. Generally, the student must correct data that was incorrect at the time the application was completed, unless it falls within the verification tolerance. The student can't update information that was correct at the time of application, except in very specific circumstances discussed in Chapter 9.

Verification tolerance

Verification can sometimes uncover minor errors that won't significantly affect the student's eligibility. Therefore, the Department has a tolerance option for verification, which allows schools to disregard these minor errors.

Disbursement of Unsubsidized Loans without Verification

As mentioned previously, verification isn't required for unsubsidized loans. Therefore, schools can originate, certify, and disburse unsubsidized loans regardless of a student's verification status.

Holding Loan Proceeds Cite

34 CFR 668.167(b)

Items that Must be Updated

If the student is selected for verification, then household size and number in college must be updated to be correct at the time of verification. Dependency status must be updated if it changes during the award year (see Chapter 9).

Tolerance Example

Emma originally reported an AGI of $2,500, $300 in untaxed income, and $300 U.S. income tax paid. Verification shows that her AGI was actually $3,000, and she paid $400 in U.S. income tax.

Original: $2,500 (AGI) + $300 (untaxed income) - $300 (taxes paid) = $2,500 (uncorrected total)

Corrected: $3,000 (AGI) + $300 (untaxed income) - $400 (taxes paid) = $2,900 (corrected total)

Net Difference: $400 ($2,900-$2,500)

Because the net difference is within tolerance, the school can award Emma's aid based on what she originally reported, without requiring corrections or recalculation of the EFC.

There is no tolerance for errors in nondollar items. If the original application has errors in any nondollar items, such as household size, the school can't use the tolerance option, and the student must make a correction. However, if there are only dollar amount errors, and all dollar errors are within the tolerance limit, the school may award the student's aid based on the application data as is, without submitting corrections or recalculating the EFC. Note that if the school doesn't want to figure out whether the errors fall within the tolerance, it can simply have the student submit corrections for reprocessing.

The tolerance limit is $400; the tolerance option takes into account certain dollar items, and if the net difference between the original and correct data is more than $400, the information must be corrected. To calculate the net difference for purposes of the tolerance, first add the original (uncorrected) AGI[10] and untaxed income amounts. From that amount, subtract the original U.S. income tax paid to get the uncorrected total. Then, add the correct AGI and untaxed income amounts and subtract from that total the correct U.S. income tax paid to get the corrected total. If the difference between the uncorrected total and the corrected total is $400 or less (and there are only dollar amount errors), the errors are within tolerance; recalculation is not required.

Verification status codes

When a school disburses a Pell award, it must report the student's verification status when it reports the payment. The codes for reporting verification status are discussed in detail below. Note that this reporting requirement applies even if the student's application was not selected for verification. (See the Pell Reference for more information.)

N—not selected by the CPS

The CPS didn't select the student, and the school didn't verify any items. (If verification wasn't required, but the school verified some of the student's information anyway, the school wouldn't use the "N" code. Instead, it would use one of the other codes, as appropriate.)

A—accurate

Verification was completed, and the record being used for the award is accurate.

W—without documentation

Verification is required, but the student hasn't completed the process. A first disbursement has been made. Verification *must* be completed before the next disbursement can be made, and the school must enter a different verification code on that student's disbursement record to show the verification status under which the student was finally paid.

[10] If the student, spouse, or parents didn't file and aren't required to file a federal tax return, the school can use income earned from work instead of an AGI.

If a student's disbursement record still shows a "W" code after the Pell verification deadline has passed, that student's award eligibility will be dropped, or "zeroed out," from the Pell payment system. The school will not receive Pell funds for the student and must repay any funds already disbursed in accordance with the overpayment procedures discussed in Chapter 3 of this publication.

Failure to Submit Documentation Cite
34 CFR 668.60

T—tolerance

Some data items were incorrect. However, the discrepancy was within the tolerance, and the student was paid based on the uncorrected data. This code is also used for students who are exempt from verification under one of the allowable exclusions. (See "Verification Exclusions.")

C—calculated

The application information was verified and found to be incorrect. The school recalculated the EFC and determined that the recalculated award would be the same or higher than the original award. The school paid based on the original EFC, without requiring the student's application information to be corrected and reprocessed. If the school's calculation is wrong, it will be liable for any overpayment. (To pay the higher award according to the recalculated EFC, the application information must be corrected and reprocessed.)

R—reprocessed

The application information was verified and found to be incorrect; the information was corrected and reprocessed for that reason. The school paid the student based on the reprocessed application information. If a student makes additional errors in correcting and the reprocessed output document is still not valid for payment, the student must make corrections again, and the information must again be reprocessed. The "R" code still applies. (If the additional errors fall within tolerance, the student may be paid without the application information being reprocessed again. In this case, use the "T" code.)The school should also use an "R" code if the student voluntarily corrected the application and had it reprocessed without being required to. An "R" code applies only to application information that has been corrected and reprocessed. The "R" code can't be used on a student's original application (also called an 01 transaction).

S—selected, not verified

The application was selected for verification but was not verified either because the school has already verified at least 30% of its total applications for federal student assistance or is participating in the QA Program.

Failure to Submit Documentation

A Pell applicant selected for verification must complete the process within deadlines set by the Department. Every year, the Department publishes a deadline notice in the *Federal Register*. At the time this

Pell Failure to Complete Verification Cite
34 CFR 668.60(c)

Campus-Based, Direct Loan, FFEL Failure to Complete Verification Cite
34 CFR 668.60(b)

publication went to print, the deadline notice for 2000-2001 had not been published; however, we expect the 2000-2001 deadline to be August 31, 2001 or no later than 90 days after the last day of the student's enrollment, whichever is earlier. Campus-based, Direct Subsidized Loan, and Federal Stafford Loan applicants must complete verification within the deadlines the school establishes.

Defining "completed" verification

For the Federal Pell Grant Program, the student has completed verification when he or she has corrected the data or has shown, as required, that the application data are correct. In addition to all verifying documentation, the school must also have on file the final and valid federal output document, showing the official EFC.

For the campus-based, Direct Subsidized Loan, and Federal Stafford Loan programs, the student has completed verification when he or she has submitted all requested documentation to the school. The school must also have on file an output document that shows the student's application data were processed through the CPS at least once. (The output document need not be final or signed by the student).

The consequences of failing to complete verification

Under the Federal Pell Grant Program, if a student does not complete verification by the deadline, he or she forfeits the Pell for the award year; the school must repay to the Department any funds already disbursed.

Under the campus-based, Direct Loan, and FFEL programs, if a student fails to provide the required documentation by the deadline, the school must not

- disburse additional FSEOG or Federal Perkins Loan funds to the student (funds already disbursed must be repaid by the school),
- continue the student's employment in an FWS job,
- originate a Direct Subsidized Loan or certify a Federal Stafford Loan application for the student (the school may have done so before verification was completed, but can't do so after the verification deadline), or
- disburse Direct Subsidized Loan proceeds or deliver Federal Stafford Loan proceeds to the student.

Corrections, Updates, and Adjustments

CHAPTER 9

If the student's original application was wrong, the student may have to make corrections, and in some cases the student must update information that has changed. The student or school may also want to make other changes. In this chapter, we discuss the various types of changes the student and school can make to the application information and how changes are made.

TYPES OF CHANGES

There are a number of types of changes schools and students can make to the application information. The student or school can correct errors, update information, and add or remove schools. The FAA can also make adjustments, using his or her professional judgment.

When a student files an application, he or she provides a "snapshot" of the family's financial situation as of the date the application was signed. If the information on the output document doesn't accurately show the situation as of the signature date, then corrections may be needed. If the output document has information that was correct when the application was signed, but the student's situation has changed, the student may, in certain circumstances, update that information. If the information is accurate, but the FAA believes it should be modified to take into account special circumstances, the FAA may choose to adjust the information.

Correcting Errors

Errors may occur either because the student entered the wrong information or because there was a data entry error. Generally, the school must have correct data before it can pay the student. In some cases the school can take the changes into account without sending in a correction or can pay the student without corrections. However, even if the student's application is otherwise accurate, corrections to the SSN must **always** be submitted for processing for data match purposes. A student might also need to submit corrections if there were problems with some of the other data matches, such as the citizenship match. Note that for students selected for verification, there are additional situations where corrections aren't required (see Chapter 8 of this publication).

To award aid from the Federal Pell Grant Program, corrections have to be reported to the processor for recalculation of the EFC, unless the school can use the original (uncorrected) EFC. For the federal campus-based and loan programs, the school can recalculate

Correction if Misreported as Graduate

As mentioned in Chapter 6 of this publication, any student who reports on the FAFSA that he or she is a graduate student can't receive Pell funds. The Pell payment system won't allow the payment to be made. Therefore, a student who incorrectly reported that he or she is a graduate student must correct that information, even if there are no errors that affect the EFC.

Error not Affecting EFC Examples

Stanislaw reported $1,000 for cash, savings, and checking accounts, and also reported $1,000 for the net worth of investments. He reported no other assets. He actually should have reported $2,000 for the net worth of investments. However, because his asset protection allowance is $4,800, making the correction won't change his EFC at all. Therefore, he can receive aid from any of the programs without submitting a correction, based on the data he originally reported.

Eric reported an AGI of $20,000, but forgot to report untaxed income of $120. Eric's EFC was 846. The FAA at Edison College determines that making the correction would change Eric's EFC to 874. For an EFC of 846, the scheduled award is $2,275. It's also $2,275 for an EFC of 874, so Edison College can pay Eric's Pell without requiring him to make a correction. When Edison submits the origination record for Eric, it uses the original EFC of 846. (Edison will need to either recalculate or submit a correction for aid from the campus-based, Direct Loan, or FFEL programs; see "Correction decreases eligibility.")

the student's EFC without reporting corrections to the processor. However, if the school's recalculation is incorrect, the school will be liable for any resulting overpayments.

Error doesn't affect EFC

If the school recalculates and determines that the error won't affect the student's EFC, then it can pay the student based on the original data without requiring reprocessing. As mentioned above, however, the student must submit a correction if the SSN is wrong or if there were problems with the other data matches. The school doesn't have to pay the student without corrections; it can require the student to make the corrections and send them in if it chooses.

Federal Pell Grant Program

For the Federal Pell Grant Program, errors don't have to be corrected if they don't change the scheduled award regardless of whether they affect the EFC. When submitting payment information in such a case, the school must be sure to use the original (incorrect) EFC (see the Pell Reference).

Campus-Based, Direct Loan, and FFEL Programs

If the school recalculates and determines that the error doesn't affect the EFC, the school can award aid from the campus-based, Direct Loan, and FFEL Programs based on the original data, without reprocessing.

Correction increases eligibility

If the student would be eligible for more aid if the error is corrected, the school can either use the original, incorrect EFC and pay the lower amount or use the corrected, reprocessed EFC to pay the higher award.

Federal Pell Grant Program

If the scheduled award would increase, the school can still pay using the original, incorrect EFC. If it wishes to pay the student the increased amount, the data must be corrected and reprocessed. If the student's application was selected for verification (by either the CPS or the school), the school can make a first payment based on the original EFC, adjusting the second payment upon receipt of the reprocessed output document, or it can withhold payment until it receives the reprocessed EFC. If the student's application wasn't selected for verification, the school can't make a payment until it receives the reprocessed EFC.

Campus-Based, Direct Loan, and FFEL Programs

If correcting the error would increase the amount the student could receive, the school can either recalculate the EFC itself and pay the student based on its recalculation or it can require the student to submit a correction and use the new EFC from the CPS. Remember that the school will be liable for any overpayment if its recalculation is incorrect.

Correction decreases eligibility

If the student would be eligible for less aid if the error is corrected, the school can't use the incorrect EFC to award SFA aid.

Federal Pell Grant Program

If the scheduled award would decrease, the data must be corrected and reprocessed. The school can't make any Pell payments to the student until it receives the new output document.

Campus-Based, Direct Loan, and FFEL Programs

If correcting the error would decrease the amount the student could receive, the school must either recalculate the EFC itself and pay the student based on its recalculation, or require the student to submit a correction.

Updating

Generally, information that's correct as of the date the application was filed can't be changed. The student can't update income or asset information to reflect changes to his or her family's financial situation if those changes took place after the FAFSA was filed. For example, if the same student's family sold some stock after the student filed a FAFSA and spent the money on a nonreported asset such as a car, the student can't update her information to show a change in the family's assets. However, there are three application data items that must be updated in certain circumstances

- dependency status
- household size
- number in college.

Dependency status

A student must update his or her dependency status if it changes at any time during the award year (unless it changed because of a change in the student's marital status). Dependency status must be updated regardless of whether the student was selected for verification. For the Federal Pell Grant Program, the updated information has to be submitted for reprocessing. For the campus-based and loan programs, the school can recalculate the student's EFC based on the updated dependency status and use that recalculated EFC. The school is liable for any overpayment resulting from its incorrect recalculation of the EFC.

Once a school has originated a Direct Loan or certified a Federal Stafford Loan, the Direct Loan origination record or Federal Stafford Loan application can't be changed to reflect a change in dependency status. However, the school can use the updated status and recalculated EFC to originate or certify additional loans if the student qualifies.

Correction Increases Eligibility Example

Chris's EFC is 616. He correctly reported his household size of three, but incorrectly reported the number in college as one. The FAA at Benoit Institute determines that correcting the number in college to two would change Chris's EFC to 534. This change would increase his Pell scheduled award by $100. Benoit Institute can make Pell disbursements to Chris using the lower scheduled award, but can't use the higher amount until he sends in a correction and receives a new reprocessed output document. Benoit could also use the recalculated EFC for awarding under the campus-based, Direct Loan, or FFEL programs without any corrections being submitted.

Correction Decreases Eligibility Example

On the application, Chavo reported his $6,000 in income as taxes paid instead of income earned from work. Making the correction will increase Chavo's EFC, so his eligibility will be reduced. Because Chavo will still qualify for a Pell, the FAA at Sarven Technical Institute sends the correction to the CPS for recalculation. Chavo can't receive any Pell payments until Sarven receives the corrected ISIR. However, Sarven could recalculate his EFC and disburse campus-based aid, Direct Loans, or FFELs to Chavo before it receives the corrected data from the CPS.

Professional Judgment Cite
Sec. 479A

Household size and number in college

For students not selected for verification, household size or number in college **cannot** be updated. For students selected for verification, these items **must** be updated to be correct at the time of verification (unless the change is a result of a change in the student's marital status, in which case updating is not permitted).

Federal Pell Grant Program

If the scheduled award will either increase or remain the same, the student doesn't have to submit updated information to the processor. Instead, the school can disburse Pell funds to the student using the original EFC. However, if the school wants to give the student the increased grant amount, the updated information must be submitted to the processor. The school can withhold payment until it receives the new output document or it can make a first disbursement based on the original EFC, and then adjust the second payment after it has the new output document.

If the scheduled award will decrease, the updated information must be submitted to the processor. The school can't make any payments until it has the new output document with the updated information.

Campus-Based, Direct Loan, and FFEL Programs

The school can recalculate the student's EFC using the updated data and use that EFC to award campus-based, Direct Subsidized Loan, or Federal Stafford Loan funds. The school can also choose not to recalculate, and instead have the student submit the updated information for the CPS to recalculate the EFC. If the school recalculates the EFC itself, it is liable for any overpayment that results from an incorrect recalculation of the EFC.

Effect on previous disbursements

A school may have made a disbursement to a student before his or her dependency status changed, or may have made an interim disbursement to a student selected for verification (see Chapter 8 of this publication for information on interim disbursements). If the school made a disbursement to a student based on information that is updated later, the school must use the updated information to determine the correct award, and adjust either the prior disbursement or future disbursements so that the student receives the correct amount.

Professional Judgment

An FAA may use professional judgment, only on a case-by-case basis, to either increase or decrease one or more of the data elements used to calculate the EFC. The reason must be documented in the student's file, and it must relate to that student's special circumstances that differentiate the individual student (not to conditions that exist for a whole class of students). An FAA can also use professional judgment to adjust the student's cost of attendance. The FAA must resolve any inconsistent or conflicting information shown on the output document before making any adjustments. An FAA's decision

regarding adjustments is final and cannot be appealed to the Department.

Because the purpose of such adjustments is to allow FAAs to accommodate unusual circumstances, the Department does not provide detailed information on when the FAA may make adjustments. However, effective October 1, 1998, Reauthorization added some examples of special circumstances schools might consider. Examples of special circumstances listed in the law include elementary or secondary school tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to the situations mentioned nor required in those situations.

Adjustment Example

Kitty's mother had income earned from work of $25,000 in 1999, but is no longer employed. The FAA at Bennet College decides to adjust the AGI reported for Kitty's parents to take into account their reduced income. The FAA also reduces the income earned from work for Kitty's mother to zero.

Another situation where a school might want to consider the use of professional judgment involves Roth IRAs. When someone converts a regular IRA into a Roth IRA (which is done by transferring funds), the amount converted has to be reported as taxable income on the tax return. Therefore, the income reported on the FAFSA will be higher than it would without the Roth conversion, even though the family doesn't actually have additional income or assets available. Schools can use professional judgment to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion, if it thinks the adjustment is warranted for a particular student. Just like the specific special circumstances listed in the law, the school isn't **required** to make a professional judgement adjustment in this situation.

The law doesn't allow the school to modify either the formula or the tables used in the EFC calculation; the school can only change the cost of attendance or the values of specific data items used in the calculation. In addition, an FAA can't adjust data elements or the cost of attendance solely because he or she believes the tables and formula are generally not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member is ill, an FAA might modify the AGI to allow for lower earnings in the coming year or might adjust assets to indicate that family savings will be spent on medical expenses.

The FAA can't exercise professional judgment to waive general student eligibility requirements or to circumvent the intent of the law or regulations. The Department specifically prohibits the use of professional judgment to change FSEOG selection criteria. Nor can the FAA include post-enrollment activity expenses in the student's COA. (For example, professional licensing exam fees are not allowable costs.)

Occasionally aid administrators make decisions contrary to the professional judgment provision's intent. These **"unreasonable"** judgments have included, for example, the reduction of EFCs based on reoccurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses,

IPA Percentage Example

In 1999, Allen had $2,000 in medical expenses that weren't covered by insurance. He's married and has two children, and he's the only member of his household in college, so his IPA is $19,140. Of this amount, $2,073.50 represents family expenditures for medical care. Because Allen's expenses are less than the amount for medical expenses already included in the IPA, the FAA at Sarven Technical Institute decides not to do a professional judgment adjustment for Allen.

childrens' allowances, and the like). Aid administrators, whom the Department grants significant latitude in exercising professional judgment, are expected and required to make **"reasonable"** decisions that support the intent of the provision. The school is held accountable for all professional judgment decisions made and for fully documenting each decision.

In making adjustments for unusual expenses, an aid administrator should keep in mind that the income protection allowance is already included in the EFC calculation to account for modest living expenses. The administrator should consider whether the expense is already taken into account through the income protection allowance before making an adjustment. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA"). See Chapter 7 of this publication for tables listing income protection allowances.

If an FAA uses professional judgment to adjust a data element, he or she must use the resulting EFC consistently for all federal student aid awarded to that student. For example, if the FAA adjusts the EFC for purposes of awarding the student's Federal Pell Grant, that adjusted EFC must also be used to award **all** other federal student aid to that student.

HOW TO SUBMIT CHANGES

Corrections can be submitted electronically through the school, on the Web, or on the SAR. Students who have received their DRN may use it to add schools, correct processor data entry errors, and/or to change their address and phone number by calling the Federal Student Aid Information Center (FSAIC).

EDE

Even if a school didn't transmit a student's application via EDE, the school can still make corrections electronically if the student brings the corrected information to the school. If the school wasn't on the student's SAR or *SAR Information Acknowledgement,* it must have the student's DRN to get access to the student's data. Also, the school must add itself in the next available institution field; if all six institution fields have been used, the student must tell the school which of the original six should be replaced with the new school's name and Federal School Code.

If the student's corrections are made through EDE, the corrected data is processed by the CPS, and an ISIR will be returned to the school; the student will receive the one-page SAR Information Acknowledgement. The school must keep signed documentation for corrections submitted electronically; the school must collect

SAR School Use Only Box

School Use Only	EFC: 0000 SEC EFC: 0000
Professional Judgment	
D/O 1 ◯ 2 ◯	FAA EFC Adjustment ◯ 1
Federal School Code	
FAA Signature 1	

documentation before sending data to the CPS (see Chapter 6 of this publication for more on signature requirements).

SAR

If a student applied by submitting a paper FAFSA, by using FAFSA Express, or by using FAFSA on the Web, the student may make corrections on Part 2 of the SAR and return it to the FAFSA processor at the address given at the end of Part 2. If the student applied electronically through a school and would like to make corrections to his or her information by mail, the student must request a duplicate copy of his or her SAR from the FSAIC at 1-800-4 FED AID (1-800-433-3243). The student must provide his or her name, SSN, and date of birth.

Students may correct all SAR data except their SSN and date of birth on the Web at www.fafsa.ed.gov.

The "School Use Only" box

The School Use Only box on the SAR allows the FAA to tell the CPS when he or she has adjusted a data element or when he or she has changed a student's dependency status. There are four common scenarios:

- The FAA has the student correct a line item on the SAR. The FAA doesn't need to make any notation; the student corrects the SAR and mails it to the FAFSA processor.

- The FAA makes a professional judgment adjustment to one of the line items on the SAR. He or she must fill in the oval labeled "FAA EFC Adjustment" to let the CPS know that the change was an adjustment rather than a correction to a line item.

- The FAA corrects a data element on the SAR and adjusts a different data element. An FAA should always report a combination of changes as an adjustment. He or she should fill in the oval labeled "FAA EFC Adjustment."

- The FAA uses the SAR to change a student's dependency status. He or she should fill in the appropriate dependency override oval (see Chapter 6 of this publication for details).

Whenever an FAA is indicating changes in the School Use Only box, he or she must fill in the school's Federal School Code and sign his or her name.

Adding a School and Changing a Student's Address

A school that receives a SAR that it isn't listed on has to add its Federal School Code to the student's record. A student might also want to add schools after filing the FAFSA. There are several ways to add schools. A student with a PIN can add a school using Corrections on the Web at the *FAFSA on the Web* site. A school can add itself electronically if the student gives the school his or her DRN from the SAR. The student can also correct the SAR and mail it to the processor to add that school or call the FSAIC's toll-free number 1-800-4 FED AID (1-800-433-3243) to make the change. To make changes by phone, the student will need to provide his or her DRN. Finally, a student can also add schools by sending a signed, written request to the FAFSA processor.

The student can use any of these methods to change his or her address as well. Any other changes can only be made through EDE or on the SAR, except that there's an additional correction method for FAFSA processing errors.

Sending data to more than six schools

The FAFSA only allows a student to list six schools that will receive the application data. For a student who wants information sent to more than six schools, there are several ways to make sure all the schools can receive his or her data.

- The student can list six schools on the FAFSA, wait for the SAR, and then correct the SAR by replacing some or all of the original six schools with other schools. After the application is processed, the student can also send a letter to the CPS requesting changes in schools; in this case, all six schools from the original application will be replaced with the schools the student lists in the letter. Corrections made at the same time this is done or subsequently won't be sent to the schools that are replaced with new schools.

- The student can call the FSAIC at 1-800-4 FED AID (1-800-433-3243) to request changes to the schools (institution codes) to which the SAR is sent.. The student must receive his or her SAR before requesting these changes.

- If a school that isn't listed on the SAR participates in EDE, that school can use the student's DRN number (printed on the SAR) to get the student's data electronically. That school would then replace one of the schools listed in the original application.

The CPS will send data to only six schools at a time for one student. For example, if the student originally listed six schools on the

application and then replaced all six with new schools by changing the SAR, only the second six schools would get data from this correction. If the student then made other corrections, only the second set of schools would get the corrected data.

FAFSA Processing Errors

If a student believes that the FAFSA processor incorrectly entered data from his or her application or from a submitted correction, the student can call the FSAIC and request a review of his file. An FSAIC counselor will look at an image of the student's form to determine whether the processor made an error. If so, the counselor can make the correction immediately. The correction will be transmitted to the processor and a corrected ISIR will be available within 72 hours. The schools the student listed on his or her application will receive a corrected ISIR, and the student will receive a corrected SAR in the mail within 10 days. The FSAIC, however, cannot change any data except data that the processor entered incorrectly.

Financial Need and Packaging

CHAPTER 10

Once the school has the necessary information from the Department, it determines the student's financial need and packages the student's aid. In this chapter, we discuss how financial need is determined, and some factors schools must keep in mind when packaging federal aid.

FINANCIAL NEED

A student must have financial need to receive all SFA funds except for unsubsidized loans under the Direct Loan and FFEL Programs. These loans include unsubsidized Federal Stafford Loans, Federal PLUS Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. Unlike scholarship programs that may award funds based on academic merit or based on the student's field of study, SFA aid is administered based on the family's need for assistance.

Financial need is simply defined as the difference between the student's cost of attendance and the family's ability to pay these costs, the EFC. For programs other than the Federal Pell Grant Program, other aid the student receives, known as **resources** under the Campus-Based Programs or as **estimated financial assistance** under the DL/FFEL Programs, is also subtracted from the cost of attendance to determine financial need.

If the EFC is less than the cost of attendance (in other words, if the student's family cannot be expected to contribute the full costs faced), the student is considered to have financial need. In the case of eligibility for Pell, however, a maximum eligible EFC is determined annually. Although a student whose EFC exceeds the maximum may have financial need, he or she is not eligible for a Pell. For 2000-2001, the maximum EFC that a student can have to qualify for a Pell is 3100. As long as the EFC is less than the cost of attendance, the student will remain eligible for aid from other SFA programs, provided that he or she meets the other eligibility requirements of those programs.

Members of a Religious Order

The various program regulations specify that a member of a religious order is not considered to have financial need for purposes of those programs, if the religious order meets certain criteria. Members of any religious order, society, agency, community, or other organization that (1) has as a primary objective the promotion of ideals and beliefs regarding a Supreme Being, and (2) directs the students' courses of study or provides the students with subsistence

Religious Order Cite

34 CFR 674.9(c), 675.9(c), 676.9(c), 682.301(a)(2), 685.200(a)(2)(ii), 690.75(d)

support, aren't considered to have financial need. Therefore, the members of these religious orders can't receive subsidized Direct Loans, subsidized FFELs, Pells, or campus-based aid. They are eligible, however, for unsubsidized FFELs and unsubsidized Direct Loans.

COST OF ATTENDANCE

The cost of attendance is an estimate of a student's education expenses for the period of enrollment. The total aid the student may receive from the SFA programs and other sources (when added to the student's EFC) can't exceed the student's cost. (However, note that the Federal PLUS, the Direct PLUS, the unsubsidized Federal Stafford, and the Direct Unsubsidized loan may be substituted for the EFC, as described later.)

The components of the cost of attendance are the same for all SFA programs, as specified in the law. However, in the case of programs of study or enrollment periods that are less than or greater than the school's academic year, the cost for purposes of loans and campus-based aid differs from the cost for the Federal Pell Grant Program. The Pell costs are always prorated to the costs for a full-time student for a full academic year, but the cost of attendance for the other programs is based on the student's actual costs for the period for which need is being analyzed. See the Pell Reference for more information on the Pell cost of attendance.

Components

A student's cost of attendance generally is the sum of the following:

- **The tuition and fees normally assessed for a student carrying the same academic workload**. This includes costs of rental or purchase of equipment, materials, or supplies required of all students in the same course of study;

- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** Effective October 1, 1998, as a result of Reauthorization, a reasonable allowance (as determined by the school) for the documented rental or purchase of a personal computer can be included as part of this allowance;

- **An allowance for room and board.** Previously, the law specified minimum allowances for students living with parents and students living off-campus but not with their parents; effective October 1, 1998, those minimum amounts have been removed. For students living on-campus, the allowance is the standard amount normally assessed most residents; for those living off-campus but not with their parents, the allowance must be based on reasonable expenses for room and board;

- **For a student with dependents, an allowance for costs expected to be incurred for dependent care**. This covers care during

periods that include, but that are not limited to, class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the kind of care provided;

- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.**

- **For a disabled student, an allowance for expenses related to the student's disability**. These expenses include special services, personal assistance, transportation, equipment, and supplies. Expenses provided for by other agencies aren't included;

- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.** and

- **For students receiving SFA loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for a FFEL).** Schools may also include the fees required for nonfederal student loans (that is, nonfederal loans that must be considered resources for the student when packaging aid). In all cases, the school can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at that school.

Disabled Student

A student is considered disabled if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually disabled, seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.

Exceptions to the Normal Cost of Attendance Allowances

Following are the exceptions to the normal cost of attendance allowances discussed above:

- For students who are enrolled less than half time, only the costs for tuition and fees and allowances for books and supplies, transportation (but not miscellaneous expenses), and dependent care expenses may be included as part of the cost of attendance.

- Generally, the cost of attendance for a correspondence study student is restricted to the costs for tuition and fees. However, if the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred. (As mentioned in Chapter 1 of this publication, a student isn't eligible to receive SFA aid for correspondence courses unless they are a part of an associate-, bachelor's-, or graduate-degree program and unless the school meets the criteria for the percentage of courses taught using this medium.)

- The cost of attendance for incarcerated students is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for SFA loans; if a

student is incarcerated in a federal or state penal institution, he or she is ineligible for Pell (see Chapter 1 of this publication).

- Previously, the cost to rent or purchase equipment was excluded for students receiving instruction by telecommunications. However, effective October 1, 1998, there is no such restriction, and the cost of equipment can be included in the cost of attendance; the law specifies that there is no distinction made in the cost of attendance regarding the mode of instruction.

- The financial aid administrator has the authority to use professional judgment to adjust the cost of attendance for the SFA programs on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in Chapter 9 of this publication.)

Other Factors

The law specifies the components that are included in the cost of attendance, but the school must determine appropriate amounts. Also, if the student doesn't have some of the normal expenses, the school might decide not to include all the components.

Actual or average costs

The school could use the actual cost for each component for each student. However, the school isn't required to do so, and can instead use a cost the average student would pay. For example, for the tuition and fees component, the school can use the same amount for all full-time students, instead of figuring the actual tuition and fees for each individual student. The school can have different standard costs for different categories of students, such as a one cost of attendance for in-state students (who have lower tuition) and a higher cost of attendance for out-of-state students. If the student's enrolled in a program that has extra fees or costs, such as lab fees, the school can add those fees to the student's cost or can have a standard cost it uses for all students in that program. If the school establishes such standard categories, it has to apply the cost allowances uniformly to all students in that category.

COA for periods of other than 9 months

For the campus-based, Direct Loan, and FFEL programs, the cost of attendance for a student covers the period of actual enrollment. Therefore, if the student will be attending for more than 9 months, the school can use a higher cost of attendance that includes living expenses (such as room and board) for the longer period of time. If the student will be attending for less than 9 months, the school can use a lower cost of attendance. The school can choose to prorate the allowances it uses for 9 months, or can calculate the cost in any other reasonable way. However, for the Federal Pell Grant Program, the school must always use a cost of attendance for 9 months. If the school

has a cost of attendance for a student that is for a period of other than 9 months, it must be prorated for Pell (see the Pell Reference).

Tuition Prepayment Plan Cite
Sec. 480(j)

Tuition and fees not paid by the student

In some cases, such as under Workforce Investment Act (WIA — formerly JTPA) programs, a student's tuition and fees are paid by another organization or are waived. The basic calculation of COA doesn't change. The only issue is whether the arrangement between the school and the student result in a tuition and fee charge to the student. If the student is charged for the tuition and fees, even if the charge is eventually paid by someone besides the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance. The tuition and fees payment would then be counted as a resource and estimated financial assistance. However, if the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIA doesn't cover the costs. If the school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's COA.

Tuition prepayment plans

If the student has a tuition prepayment plan, the amount of the tuition prepayment is generally used to reduce the student's cost of attendance. The prepayment isn't counted as a resource or estimated financial assistance, and the total amount in the plan isn't reported as an asset on the application. If, for accounting purposes, the school can't use the prepayment to reduce the cost of attendance, then the amount of the prepayment is counted as a resource and estimated financial assistance.

Free Room and Board Example
Guerrero University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges; if the student quits the job, the waiver is removed and the student has to pay the room and board charges. All the students have the room and board charge in their cost of attendance. For students who are Resident Assistants because of their financial need, Guerrero counts the room and board waiver as a resource and estimated financial assistance. The other students must report the waiver as untaxed income.

Free room and board

If a student lives on campus, the student is considered to have entered into a contract with the school for room and board, even if there's no charge to the student. For the purposes of calculating the cost of attendance, the school must use the contracted charges for the room and board. If that room and board is supplied at no charge, the room and board component of the COA would equal $0.

The value of room and board provided to an employee should be reported as untaxed income, under housing, food, and other living allowances. It isn't considered financial aid unless the room and board is part of an on-campus job that was awarded on the basis of need. If the room and board results from a job that was awarded on the basis of need, then the value of the room and board would be counted as a resource for campus-based purposes and as estimated financial assistance for Stafford purposes and isn't reported as untaxed income. If the student is charged for the room and board and the charge is then waived, the value of the room and board can be included in the cost of attendance.

Resources Cite
34 CFR 673.5(c)

Resources
Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year. Effective October 1, 1998, Americorps benefits are also considered a resource.

Campus-Based Resources Example
Andrew's COA is $6,000, and his EFC is 1500. His resources are a $1,850 Pell and a $1,250 outside scholarship. Frisson College can award Andrew a $400 FSEOG and a $1,000 Perkins Loan to fully meet his financial need.

Loan and EFC Example
In addition to the aid already discussed, Andrew is receiving a $1,500 unsubsidized Stafford Loan. Because this amount doesn't exceed the EFC, the loan isn't considered a resource, so it doesn't reduce the amount of Andrew's need for campus-based funds. However, if Andrew also received a $500 private loan, the $500 would be a resource, because the amount of unsubsidized loans exceeds his EFC by $500.

Documentation of Expenses

The law doesn't specify what documentation the school needs for including expenses such as dependent care or disability-related expenses. The school can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student, or from other appropriate sources.

RESOURCES AND ESTIMATED FINANCIAL ASSISTANCE

A basic premise of need-based aid is that the total package of aid must not exceed the student's financial need. Therefore, when awarding aid from the SFA programs, the school has to take into account other sources of aid (which can include aid from other SFA programs). The different SFA programs account for other sources of aid in different ways.

Federal Pell Grant Program

Pells are considered to be one of the first sources of aid to the student. The Department issues Pell payment and disbursement schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. When awarding other sources of need-based aid, the financial aid administrator must take eligibility for Pell into account. It's always possible, however, that the student will receive a scholarship or other aid that, in combination with the Pell, causes the student's financial aid package to exceed his or her need. The school can't award additional need-based **federal** aid that would cause the package to exceed the student's need. If the student's need is exceeded due to the combination of the Pell and other sources of aid, the student is still eligible for the Pell as determined by the payment or disbursement schedule.

Campus-Based Programs

In contrast to the Federal Pell Grant Program, the regulations for the campus-based programs specifically require the school to take into account all resources available to the student when funds are awarded from these programs. If the total of the student's EFC, resources, and campus-based aid exceeds the student's cost of attendance, the campus-based aid must be reduced to prevent an overaward. However, note that there are overaward thresholds (discussed later in this chapter and in the Campus-Based Programs Reference) for the campus-based programs.

The unsubsidized Stafford, PLUS, Direct Unsubsidized, Direct PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs up to the amount of the EFC without affecting eligibility for campus-based aid, a subsidized Stafford Loan, or Direct Subsidized Loan.

For SFA purposes, veterans education benefits are treated as resources, not as income, and therefore are not reported as income on the FAFSA. As a result of Reauthorization, effective October 1, 1998, Americorps benefits are also considered resources. But the school

may exclude as a resource a portion of any subsidized direct or FFEL loan that is equal to or less than the amount of the student's Chapter 30 Montgomery GI Bill benefits and/or Americorps benefits paid for the cost of attendance.

Note that the income earned from the Veterans Administration Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, so it is **not** considered a resource. It should be reported as untaxed income (not income earned from work) on the FAFSA.

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Direct and FFEL Loans

For the Direct Loan and FFEL programs, estimated financial assistance, as defined in the law, must be taken into account. Estimated financial assistance includes most of the same sources of assistance as resources, with two exceptions. Americorps benefits and, as a result of Reauthorization, Chapter 30 Montgomery GI Bill benefits are *not* included in estimated financial assistance when determining eligibility for *subsidized* FFEL and Direct Stafford loans, but they *are* included for *unsubsidized* FFEL and Direct Stafford loans.

The school may certify an application for a subsidized Stafford Loan or originate a Direct Subsidized Loan only for the amount of need that remains after subtracting both the student's EFC and estimated financial assistance from his or her COA. As noted previously, the student can also borrow unsubsidized loans beyond his or her need as long as the loan does not exceed the EFC. Note that a student may qualify for a combination of subsidized and unsubsidized loans.

Before a school can certify a Stafford Loan or originate a Direct Loan, the school must have determined the student's eligibility for a Pell. A school doesn't need to have an official EFC from the CPS to determine the Pell eligibility. Instead, the school can use software at the school to determine if the student's eligible for Pell. On the other hand, the school must have evidence proving that the student's data went through the CPS before the loan can be disbursed.

Estimated Financial Assistance Cite

Sec. 428(a)(2)(C), 34 CFR 682.200(b)

Estimated Financial Assistance Example

Stanislaw's cost of attendance is $6,000; his EFC is 1,500. His estimated financial assistance is a Pell of $1,850, a tuition waiver of $1,000, and a Perkins Loan of $1,500. His total estimated financial assistance is $4,350. Stanislaw is eligible for a maximum subsidized Stafford Loan of $150. This amount is calculated by subtracting the EFC and the other aid received from the COA ($6,000 - $1,500 - $4,350). Because unsubsidized Stafford Loans aren't considered a resource as long as the loan amount does not exceed the EFC, Stanislaw would also be eligible for an additional $1,500 in unsubsidized Stafford Loan funds—the amount equal to the EFC.

Subsidized and Unsubsidized Loan Combination Example

Lydia is a first year dependent student, so her loan limit is $2,625. She qualifies for a $1,600 Direct Subsidized Loan, and has no remaining need. Her EFC is 4,287 so she can also borrow an additional $1,025 ($2,625 minus $1,600) Direct Unsubsidized Loan. In addition, her parents could borrow $3,262 in PLUS ($1,025 + $3,262 = $4,287).

PACKAGING

Packaging is the process of finding the best combination of aid to meet a student's financial need, given limited resources and given institutional constraints that vary from school to school. A student may be able to receive some federal student aid—in the form of a Pell—even if his or her school doesn't, for example, participate in the campus-based programs and doesn't have its own sources of aid. Any subsidized loan under the FFEL Program or the Direct Loan Program is limited to whichever amount is less: 1) the amount of the student's remaining financial need after his or her estimated financial assistance is taken into account or 2) the loan limit for the student's level and enrollment status. Of course, as explained earlier, the student can also borrow an unsubsidized Stafford, Direct Unsubsidized Loan, PLUS, Direct PLUS, state-sponsored, or private education loan equal to the

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Packaging Example: GI Bill Exclusion

Penny is a first-year, independent undergraduate student with an EFC of 950, a Pell Grant of $2,175, and Montgomery GI Bill active duty benefits of $4,752.

Penny enrolls in a four-year program at Frisson College, where her need is $8,550 ($9,500 COA - 950 EFC). Her assistance from the Pell Grant and GI Bill benefits equals $6,927 ($2,175 + 4,752). The difference between her need and assistance is $1,623 ($8,550 - 6,927).

Because the Montgomery GI Bill benefits do not count as estimated financial assistance for subsidized loans, Penny is eligible for a subsidized Stafford in an amount that exceeds $1,623. Her COA minus her EFC and Pell Grant would leave an unmet need of $6,375 ($9,500 - 950 - 2,175). The maximum subsidized loan amount for a first-year student is $2,625 and is less than Penny's unmet need for subsidized loan purposes, so she may receive a subsidized loan of $2,625. The decision to take out a subsidized loan is Penny's, and the school must follow the statute. In this case, her assistance totals $9,552 ($2,175 + 4,752 + 2,625), which exceeds her need as well as her COA. However, under the statute and regulations this is not considered an overaward or an overpayment.

Penny is eligible for campus-based aid if the school chooses to exclude her subsidized loan as a resource. (It can exclude up to the value of the GI Bill benefits from the loan.) Penny's need is $8,550, and her total resources, minus the loan, would be $6,927, which is $1,623 ($8550 - 6,927) under her need. Therefore the school may provide campus-based aid up to $1,623, for example, $1,123 in FWS funds and $500 in FSEOG funds. In this case, Penny's assistance totals $11,175, which exceeds her need as well as her COA.

2,175	Pell Grant
4,752	GI Bill
2,625	Stafford
1,123	FWS
500	FSEOG
11,175	Total aid

However, under the statute and regulations this is not considered an overaward or an overpayment.

amount of the EFC. If a school does have other sources of aid, the school must decide how to allocate scarce funds from different sources to meet students' needs.

The school must evaluate numerous variables when packaging aid and may consider questions such as these: Should priority be given to students who apply for aid first (on a "first-come-first-served" basis)? Should grant assistance be awarded to beginning students and should loans and work-study go to students who have had a chance to adapt to the academic program? If there are not enough funds to meet every student's need, should school policy be to give more assistance to the neediest students? Or should the school meet an equal proportion of each student's need across the board?

The Department provides a Packaging module as part of EDExpress. The school can enter information about its programs and factors to be considered in packaging, and then use the software to automate the packaging process. Many schools also use third-party software for this purpose. For more information on the EDExpress Packaging module, see the Packaging Desk Reference.

Vocational Rehabilitation Funds

Special considerations in packaging arise when a student qualifies for both SFA funds and for vocational rehabilitation assistance funds. In that case, the school should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled.

If, in packaging aid, the school were to consider both the disability-related costs and an anticipated vocational rehabilitation aid amount that was less than those costs, the amount of SFA funds in the student's package might be increased to cover the remaining costs. When the vocational rehabilitation agency actually disburses funds, it will take that SFA increase into consideration and disburse only the smaller anticipated amount rather than disbursing enough to cover all of the disability-related costs. The school has covered all of the student's need in both cases: But if the increase in SFA funds in the second case is the result of an increased loan amount, the school has unnecessarily added to the student's debt burden. Although the vocational rehabilitation funds shouldn't be considered a resource when the school packages, the school must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Each state association of student financial aid administrators has a voluntary agreement with its state vocational rehabilitation agency; this agreement specifies the procedures for coordinating vocational rehabilitation assistance with other forms of financial aid. For information about your state association's agreement, contact that association or a regional office of the U.S. Department of Education.

OVERAWARDS

An overaward is aid that exceeds the student's need. While the school must always take care not to overaward the student when packaging aid, circumstances may change after the aid has been awarded and may result in an overaward. For instance, the student may receive an academic scholarship, or the student may want to extend his or her work-study employment. When these circumstances would lead to an overaward, the school may be required to adjust the federal student aid in the package.

Federal Pell Grant Program

Pell Grants are never adjusted to take into account other forms of aid. If there's an overaward, the school has to look at other aid it controls, and reduce that aid.

Direct Loan and FFEL Programs

If a school determines before Direct Loan or FFEL funds (other than PLUS) are delivered to the student that the student will receive an overaward, the school must take certain steps to eliminate the overaward. In general, there is no overaward tolerance for these loans. However, if a student's financial aid package also contains FWS, there's a $300 overaward tolerance for the loan overaward. The school in this case wouldn't have to adjust a Stafford or Direct Loan unless the overaward exceeds $300. Note that if the overaward situation occurs after Stafford or Direct Loan funds have been delivered, there is no Stafford or Direct Loan overaward (the school might still have a campus-based overaward to deal with).

If the school has certified or originated the loan, but hasn't received the funds, the school can have the lender cancel or reduce the loan. The school can also reduce or cancel aid over which it has control.

If the school has already received the funds, it has a number of options:

- If the package includes an unsubsidized Stafford Loan, Direct Unsubsidized Loan, Direct PLUS Loan, PLUS Loan, or nonfederal loan and the aid package doesn't already apply these loans to finance the EFC, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.

- The second or subsequent disbursement of a Stafford or Direct Loan can be canceled or reduced. The school must inform the lender of the reduced award and request cancellation or reduction of subsequent disbursements.

Overaward and Unsubsidized Loan Example

Hector's EFC is 3,000. His cost of attendance is $15,000. He is supposed to receive a subsidized Stafford Loan of $8,500 and an unsubsidized Stafford Loan of $3,500, which completely meets his need. Before he receives his first loan disbursement, Guerrero University also gives him a $2,000 scholarship. If Hector's entire loan amount of $12,000 had been subsidized, Guerrero would have to send some of the loan back. However, because part of Hector's loan amount is unsubsidized, Guerrero simply considers that $2,000 of the unsubsidized loan that previously applied to Hector's financial need is now being used to finance his EFC of 3,000.

Ineligible for Part of Disbursement Example

Owen's loan disbursement was $1,000. However, Guerrero discovered after it received the loan funds that Owen also received a private loan, which created an overaward. Guerrero determines that the overaward is $800. Guerrero could return just the $800 or could instead return the entire check and have the lender issue a new check for $200. If Owen were at a Direct Loan school, the school could return just the $800 or return the full disbursement, cancel the loan, and originate a new loan for $200.

- If these adjustments have been made and an overaward still exists for a Stafford Loan or Direct Loan borrower, the school must withhold and promptly return to the lender or the federal government any funds that have not yet been delivered to the borrower. If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, the school must return the entire loan proceeds. Note that Stafford and Direct Loan overawards must be repaid before adjusting or canceling campus-based funds.

- If the student is ineligible for only a part of the disbursement, the school can return the entire undelivered amount or can choose to return only the amount of aid for which the student becomes ineligible. For a Direct Loan, the school cancels the loan, returns the full disbursement, and originates a new loan for the lower amount. In this case, a new origination record must be created, and a new promissory note must be generated for the student to sign. For a Stafford Loan, a school that returns the entire disbursement then requests a new check for the correct amount. The school must provide the lender with a written statement describing why the funds were returned, and the lender must credit to the borrower's account the portion of the insurance premium and origination fee attributable to the amount returned. If the school returns the entire amount and asks for a new disbursement, the student will pay only for the reduced insurance premium and origination fee (if applicable) attributable to the reduced loan amount. To return only the amount for which the student is ineligible, the school must have the student endorse the loan check or, in the case of a loan disbursed by electronic funds transfer (EFT), obtain the student's authorization to release loan funds. The school can then credit the student's account for the amount for which the student is eligible and promptly refund to the lender the portion of the disbursement for the which the student is ineligible.

The requirement to return overawards does not apply to Stafford Loans made to cover the cost of attendance at foreign schools or to PLUS or Direct PLUS Loans.

Although a school isn't required to return Stafford Loan or Direct Loan funds that were delivered to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent the school from returning funds that were applied to the student account if the school chooses to do so. The borrower who received funds disbursed directly to him or her is not required to repay funds that were delivered in excess of need unless the overaward was caused by his or her misreporting or withholding of information.

Campus-Based Programs

The school is required to first try to reduce the overaward by following the steps above for undisbursed Direct or Stafford loans. If reducing undisbursed Stafford Loans or Direct Loans doesn't eliminate the overaward, the school may be required to reduce the amount of campus-based aid that has been awarded the student. Campus-based aid need not be reduced if the overaward doesn't exceed $300, which is the overaward threshold for all campus-based programs. Note that the $300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. The threshold does not allow a school to deliberately award campus-based aid that, in combination with other resources, exceeds the student's financial need. (See the Campus-Based Programs Reference.)

The school should try to eliminate the overaward by reducing future payments of campus-based aid. If the overaward can't be eliminated by reducing future payments of campus-based aid, the student must repay the full amount of the campus-based funds that he or she received in excess of need. However, the student cannot be required to repay FWS wages he or she has earned.

FWS Program

Because the student can't be required to repay wages earned, the school can only adjust FWS by reducing future payments. The school can continue to employ the student, as long as it no longer pays him or her from FWS funds. If the school has already adjusted all other federal aid and institutional aid, and there's still an overaward, the school must reimburse the FWS program from the school's funds. The school cannot require the student to repay wages earned, except in the case of proven student fraud.

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